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ABSTRACT

Of the dissertation for the degree of the doctor of philosophy

**“SOCIO-ECONOMIC PROBLEMS OF TOURISM
DEVELOPMENT IN THE REGIONS LIBERATED FROM
OCCUPATION”**

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Applicant: **Isa Ibadulla Muradov**

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The dissertation was carried out at the Department of Economic Theory and Marketing at the Azerbaijan University of Architecture and Construction.

Scientific supervisor: Ph.D of Philosophy in Economics,
Associate Professor
Asaf Mirza Aghayev

Official opponents: Ph.D of Economic Sciences,
Associate Professor
Agil Mahiyaddin Asadov

Ph.D of Philosophy in Economics,
Associate Professor
Jamal Jalil Hajiyev

Ph.D in Economics
Ulkar Isgander Mammadova

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Chairman of the
dissertation council:

Doctor of Economic Sciences,
Professor
Nazim Muzaffarli (Imanov)

Scientific Secretary of the
Dissertation Council:

Ph.D in Economics
Sevda Mamed Seyidova

Chairman of the
Scientific seminar:

Doctor of Economic Sciences,
Professor
Tarbiz Nasib Aliyev

GENERAL CHARACTERISTICS OF THE WORK

Relevance and degree of development of the topic. The tourism industry is one of the rapidly developing and dynamic service sectors, and it plays an important role in providing employment to local communities and creating added value. In the modern world and in the global economic system, tourism is one of the most dynamically developing and profitable sectors of the economy for every country.

According to the latest report by the World Travel and Tourism Council (WTTC) before the pandemic, the travel and tourism sector created 319 million jobs globally, accounting for 10.4% of GDP, and provided 0.7% growth in the world economy¹. The role of tourism in the economy is determined by its special weight in economic policy and the country's international relations. Tourism revenues are an integral part of state revenues, the income of the population and entrepreneurs. For these reasons, tourism in the country affects the development and management of its economic and social potential. In order to develop tourism in the country and increase its share in the economy, the state implements various policies and programs. In the development of the tourism sector in the country, two state programs (2002-2005 and 2011-2014), a strategic roadmap (2016), a tourism strategy covering 2023-2026, and the establishment of TRZ in the liberated territories can be noted. In addition, the decree of the President of the Republic of Azerbaijan on the "First State Program on the Great Return to the Liberated Territories of the Republic of Azerbaijan" supports the balanced development of the economy in the region, support for small and medium-sized businesses, restoration of tourism infrastructure in parallel with other economic sectors, and the development of competitive tourism destinations by effectively using existing potential.

It should also be noted that the recovery of the tourism sector in the post-pandemic period has become sustainable, with the share of inbound tourism reaching 2.1 million people in 2023 and 2.5% of GDP. This increase represents 80.9% of the pre-pandemic tourism figures in

¹WTTC cities economic impact 2022: [Electronic resource] / URL: <https://wttc.org/Portals/0/Documents/Reports/2023/WTTC-Cities-Economic-Impact-Final.pdf>

2019 in terms of inbound tourism and 80% of GDP²..

There are 687 registered and several hundred unregistered archaeological and architectural monuments in the study region. Although cultural heritage monuments are spread throughout the region, the destinations where they are most concentrated include Shusha city, Tug-Azikh-Tagla settlements, Zulfugarli and Vang villages of Kalbajar region, Shahbulag fortress in Agdam and the archaeological monuments around it. It should also be noted that according to the multi-criteria assessment of the historical and cultural heritage resources in the region, Shusha, Khojavend, Aghdam, Aghdara districts have a high indicator, Lachin, Kalbajar districts have an average indicator, Fuzuli, Jabrayil, Zangilan districts have a relatively average indicator ³.

The region's rich tourism potential includes exotic landscapes, natural monuments, rivers, lakes, rich mineral and thermal waters included in the eco-health heritage, phytoplants, clean air rich in oxygen, cultural, historical-religious, ethno-cultural heritage, historical-architectural, archaeological, religious monuments of international national importance and their compact location in many settlements, ethno traditions of communities, hospitality and gourmet tourism opportunities, which condition the development of many types of tourism.

One of the factors determining the development of tourism in the liberated territories is the study of international experience and taking into account local factors. In this regard, as a result of the analysis of international analogues, in the study area, priority was given to the study of applications such as "gray" zones and best practices. By effectively using the existing potential in the application of best practices, it is possible to achieve the development of sustainable tourism, form cultural, eco-cultural, ethno-cultural, agro-eco, eco-health, recreation, event, creative industry-based tourism, outdoor tourism activities, as well as create added value for the reintegration of the region into the

²Azerbaijan State Statistical Committee. Statistical collection of tourism in Azerbaijan. – Baku, - 2023, - 101 p.

³On approval of the classification of immovable historical and cultural monuments under state protection in the territory of the Republic of Azerbaijan according to their importance: [Electronic resource] / August 02, 2001. URL: <https://e-ganun.az/framework/2847>

country's economy. In the study of best practices, the analysis of stakeholders in the joint use of cultural and natural heritage, the justification of the effectiveness of the formation of tourism clusters, and the priority of using tourism potential in future settlement determine the relevance of the research work.

Since tourism develops in interaction with various fields of the economy and other sciences, it has been reflected in the scientific research of many researchers. The economics of tourism and the development of tourism in the regions are widely studied in the scientific research works of N.Imanov, A.Nuriyev, A.Aliorzayev, T.Aliyev, T.Huseynov, A.Asadov, A.Safarov, R.Sultanova, R.Abdullaeva, M.Mammadov, E.Mammadov, V.Gasimli, F.Rahmanov, and in the study of tourism and recreation potential, A.Salmanov, H.Soltanova, A.Azizov, V.Dergahov, Z.Imrani, A.Hasanov, J.Hajiyev, U.Mammadova, etc.

Among the researchers from the CIS, A.Aleksandrova, M.Birzhakov, A.Drozdov, Y.Efremenko, M.Morozov, D.Ushakov, I.Dragilyeva, Y.Chernyavsky, A.Chudnovsky, etc. have studied the economics of tourism in the regions and the territorial organization of tourism. Among the important research works of foreign researchers on the development of tourism in the regions, we can mention: R. Martin, A. Liu, A. Jabbari, E. Freeman, F. Kotler, J. Baidal, F. Oliver, D. Sanford, C. Tosun, D. Timothy, T. Toivonen, Y. Klein, S. Khalil, N. Kadir, J. Kelly, G. Kandela, Y. Öztür, H. Kim, O. Bahar, E. Beceren, J. Baidal, O. İçöz, M. Kozak, M. Sarıkaya, etc. However, while highly appreciating the results of those studies, it is important to note that the assessment of the tourism potential of the liberated territories and the determination of the directions of sustainable tourism development in the future have not been a research object and are being studied for the first time in the dissertation work.

Object and subject of the study. The object of the study is the tourism potential of the liberated territories. The subject is the assessment of the tourism potential of the liberated territories using various analysis methods, the identification of socio-economic problems, the solution of the employment problem within the framework of the implementation of the "I State Program on the Great Return", as well as the provision of comparative advantages of competitive TRZs and

tourism clusters to be formed in the future, and the reintegration of the region into the country's economy.

Purpose and objectives of the study. The purpose of the dissertation work is to assess the tourism potential of the liberated territories of Azerbaijan, identify relevant resource opportunities and develop effective scientifically substantiated proposals and recommendations aimed at socio-economic development in the region. The following tasks have been identified to implement the set goal:

- Identification of socio-economic aspects of tourism development, conceptual models and innovative methods of organization;

- Evaluation of the development directions and competitive environment of the international tourism market;

- The current state of the tourism industry in Azerbaijan, its micro and macroeconomic impacts;

- Assessment of tourism potential in the liberated territories and determination of the role of tourism in socio-economic development;

- Problems of organizing tourism in the liberated territories and identification of stakeholders;

- Development of proposals and recommendations on the organization, development of tourism in the liberated territories, creation of clusters by types of tourism, taking into account international experience.

Research methods. The research work used mathematical statistics, comparative analysis, empirical research (sociological survey), rating, integral, cluster, multi-criteria evaluation, target, linear methods, as well as SWOT, PESTLE and stakeholder analysis research methods.

Main provisions submitted for defense

- The concentration of the tourism industry in Azerbaijan in the capital and nearby areas does not allow for balanced development. Therefore, there is a need to systematize the tourism industry in order to increase employment and economic activity of local communities, introduce innovations and best practices in the economic development of regions.

- The fact that the share of the tourism industry in GDP does not exceed 2.5% is inversely proportional to the stimulating measures and investments directed to this area by the state as a priority direction. Thus, the analysis of the dynamics of the growth of the macro and

microeconomic impacts of the tourism industry on the economy in Azerbaijan and the relationship between GDP and employment revealed that the current dynamics in this area are weak.

- The richness of the region's natural and cultural tourism resources allows for the creation of a competitive tourism industry. Multi-criteria assessment, rating, integral and cluster approach to the attractive tourism potential of the liberated territories will ensure their efficient use and the formation of competitive types of tourism with the support of the state.

- The results of the stakeholder, PESTLE and SWOT analysis in determining the impetus for tourism development in the region will ensure the creation of specialized TRZs within the territorial unit, investment opportunities and the attraction of entrepreneurial entities.

- Based on international experience, the creation of ecotourism, eco-cultural, ethno-cultural, outdoor, health, recreational, business, agro-eco tourism clusters in the liberated territories will allow the formation of innovative products.

Scientific novelty of the research work

- Directions for the effective use of potential based on the application of alternatives and innovations in the restoration of "gray" zones in tourism have been identified [9, pp. 540–543].

- The organization of tourism in the region and its economic assessment of its potential have been developed based on various methodologies [4, pp. 43–47].

- A mechanism for the formation of attractive tourism types, TRZs and the efficient organization of business entities in the liberated territories based on a multi-criteria assessment has been formulated [3, pp. 72–78].

- The feasibility of creating ecological, eco-cultural, ethno-cultural, eco-health, recreational, agro-eco, and outdoor tourism clusters in the liberated territories has been substantiated and a forecast has been developed [1, pp. 68–70], [6, pp. 704–713].

- Scientifically substantiated proposals and recommendations have been developed on ensuring the reintegration of the liberated territories into the country's economy, restoring security and infrastructure, and on the possibilities of using natural and cultural heritage resources in tourism [10, pp. 1974–1977].

Theoretical and practical significance of the study. The

conceptual provisions, results and proposals obtained from the practical significance of the research can be used in the economic development of the territories liberated from occupation, in ensuring the employment of the population during the Great Return. In addition, the results obtained can be used in the State Tourism Agency, the assessment and use of tourism resources in the Karabakh and East Zangezur economic regions, in the development of the economy, employment of the population, the formation of tourism destinations and clusters in accordance with the tourism strategy in the region, and in attracting interested parties.

Approbation of the research and application of the results of the work. The content of the dissertation was reflected in 9 published articles and theses, including one in a journal located in the Web of Science database. The results of the research conducted in accordance with the topic of the dissertation were commented on and discussed at scientific practical conferences and scientific seminars organized internationally and domestically, and the methodology of approaching the problem and its scientific results were approved.

The Dissertation was completed at the Azerbaijan University of Architecture and Construction.

The structure and volume of the dissertation. The dissertation work consists of an introduction, 3 chapters, 9 paragraphs, conclusion, proposal, bibliography and appendix, with a total of 166 pages and an introduction of 10964 characters; the first chapter of 69847; the second chapter of 79728; the third chapter of 73365; conclusion and proposals of 4079; the bibliography of 19553, of which 295507 characters. The volume of the dissertation, excluding tables, figures, diagrams, used literature and appendices, is 237,983 characters. The bibliographic list includes 128 titles of literature.

CONTENTS

INTRODUCTION

CHAPTER I. SOCIO-ECONOMIC AND REGIONAL ASPECTS OF THE DEVELOPMENT OF THE TOURISM INDUSTRY

1.1. Socio-economic aspects and conceptual models of tourism development

1.2. Innovative methodological approaches in the economic evaluation of tourism organization

1.3. Development trends and economic indicators of the international tourism market

CHAPTER II. TOURISM DEVELOPMENT DIRECTIONS AND SOCIO-ECONOMIC RESULTS IN AZERBAIJAN

2.1. Modern state and development directions of the tourism industry in Azerbaijan

2.2. Micro and macroeconomic impacts of the tourism industry in Azerbaijan

2.3. Assessment of tourism potential in liberated regions

CHAPTER III. DEVELOPMENT PROSPECTS OF THE INNOVATIVE TOURISM INDUSTRY IN THE OCCUPIED TERRITORIES AND POSSIBILITIES FOR ORGANIZING CLUSTERS

3.1. Organization and development directions of tourism in the liberated regions

3.2. Opportunities to use international experience in the development of innovative tourism in the liberated regions

3.3. Directions for organizing clusters by tourism types in the liberated regions

CONCLUSION

SUGGESTIONS

LITERATURE REFERENCES

APPENDIX

MAIN CONTENT OF THE RESEARCH

The In the “Introduction” section of the dissertation, the relevance of the topic, the level of development are emphasized, the object, subject, goals and objectives of the research, research methods are reflected, the main provisions put forward for defense and the scientific novelty of the work are indicated, the name of the organization where the dissertation is performed, its structure and volume are given in the subheadings.

The first chapter of the dissertation, entitled “**Socio-economic and regional aspects of the development of the tourism industry**”, consists of three paragraphs. Innovative methodological approaches in the economic assessment of tourism organization consist of using innovative methods in the economic assessment of the organization of this field, distributing the best practices of innovative approaches existing in this field across tourism destinations, and forming creative products. With the development of tourism in an underdeveloped region of the country, new resources are introduced into the economy of that region, new jobs, employment opportunities are created, and the income of the regional economy increases in parallel in each sector. Modeling expresses a certain approach to innovation, the forms in which it develops, and the forces that cause change in a simplified and formal way. Without going into exhaustive claims, some approaches can be noted:

Synthetic approach This method, known as the Barcet model, divides the sequential process connecting the customer and the service provider (from customer expectations to the tools and resources used by the provider) into four levels:⁴

Levels 1 and 2 represent service demand: innovation in the customer system (beyond the capabilities of providers) and product-service innovation. Here, the focus is on customer expectations.

Levels 3 and 4 are the supply of services: process innovation aimed at changing the internal or customer-service provider relationship, often aimed at rationalizing internal working conditions or placing a particular service more strategically within the overall offer.

⁴Bahar, O. Tourism Economy / O. Bahar, M. Kozak. - Ankara: Detay Publishing, - 2006. - 344 p.

In addition, there are structural, routine, niche and revolutionary innovations in the tourism industry, which cover the changes taking place in the tourism industry and society. Routine innovations in the tourism sector consist of the application of ICT, increasing quality standards, and offering attractive products. Niche or target-oriented innovations are based on the organization of new business or product combinations of enterprises operating in this sector, cooperation with new business or product suppliers, specialized marketing, and new combinations of products and services. Structural innovations, on the other hand, consist of many different steps such as attracting new destinations, agro-eco tourism, green hotels, product, service, marketing, organizational, progressive and radical, social, sustainable and disruptive.

In the socio-economic aspects and conceptual models of tourism development, the relationship between tourism and capital investment, energy and agricultural development, poverty, overall economic growth, and different economic growth across destinations is discussed. Analysis of tourism and economic development models shows that employment and income growth have a direct impact on goods, trade, services, and other sectors, which is directly related to the stimulating effects. Researchers have applied various methodological approaches to measure the economic impact of tourism development. For example, Khalil and Kakar, as a result of their research, found that tourism causes economic growth in Pakistan in the short term. They found that tourism and economic growth influence each other regardless of the specification of the Granger model. Tourism development and its impact at the community level can be linked to poverty reduction at the national level through economic growth.

Impacts on tourism and capital development is studied as a determinant of foreign direct investment (FDI) in a country. The attractiveness of a destination encourages an increase in the number of tourists, which in turn directs funds to tourism-related facilities that require more investment. For example, they used the Granger model and found a unidirectional relationship between FDI and tourism in China and suggested that the rapid growth in tourism was due to FDI.

Tourism and energy development are considered by researchers to require energy at every step to carry out daily operations. The results of

this study show a one-way relationship between tourism and energy development. In the long run, a 1% increase in tourism development increases energy development by 0.13%, and the Granger model extends from tourism to energy development ⁵.

Research on tourism and agricultural development involves direct support for community development. Multivariate analysis using Granger causality has found that tourism drives agricultural development in Costa Rica and Nicaragua, suggesting a unidirectional relationship from tourism development to agricultural development. Strengthened linkages between agriculture and tourism offer significant opportunities to stimulate local production, retain tourism revenues locally, and improve the distribution of tourism's economic benefits to rural populations ⁶.

Research on tourism and poverty reduction supports the involvement of more communities and local populations in the tourism industry. Tourism is considered an important tool for a developing economy to significantly earn foreign exchange, attract international investment, increase tax revenues, and provide job opportunities.

Analysis of the development trend and economic indicators of the international tourism market The covid 19 pandemic that occurred in 2020 caused more damage, which caused 305 thousand people to lose their permanent jobs. In the last three years, the tourism movement has gradually recovered and the number of people participating in international tourism will be 1.286 million in 2023 (88.08% compared to 2019), and tourism revenues will be 1.380 billion dollars (93.2% compared to 2019) ⁷.

⁵Tang, S. Foreign Direct Investment and Tourism: Empirical Evidence from China / Tang S., Selvanathan EA, Selvanathan S. // Tour. Econ., - 2007. No. 13. - p. 25-39.

⁶Vanegas, M. Tourism and Poverty Reduction An economic sector analysis for Costa Rica and Nicaragua / M. Vanegas, W. Gartner, B. Senauer // Tour.Econ., - 2015. №21, - p.159-182.

⁷Travel Market Report 2024 Outlook: [Electronic resource] / November 2023. URL: <https://www.bcdtravel.com/wp-content/uploads/BCD-Travel-Travel-Market-Report-2024-Outlook.pdf>

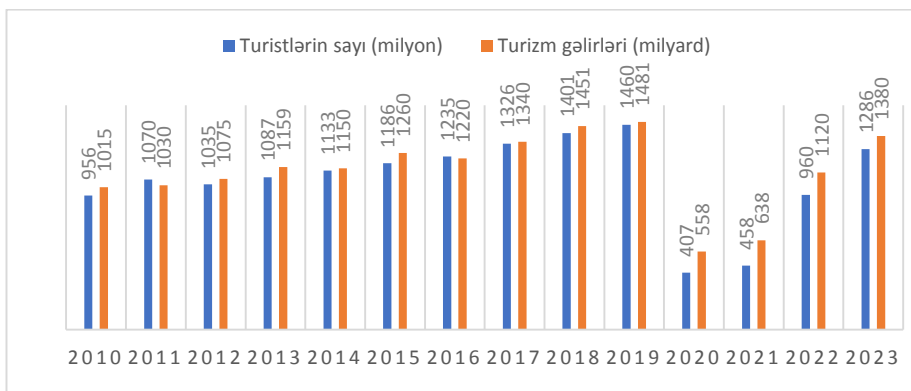


Figure 1. Dynamics of international tourism⁸

Our analyses show that the introduction of new tourism centers in addition to traditional destinations in the assessment of tourist flows has increased demand, which has led to economic revival. At the international level, it is possible to see an increase in demand for cultural, ethno-cultural, outdoor activities, business and event tourism, and cruises as promising development directions of the tourism industry. In the international tourism industry, coastal zones (Mediterranean, Adriatic, Aegean, Caribbean, etc.), mountainous and natural areas (Alpine, Balkan countries, Scandinavian countries) are characterized by tourism clusters offering more products. From the analysis of characteristic trends in the international tourism market, it is clear that the diversification of tourism products, the development of domestic tourism, the increase in the number and services of tourists of the third age group (over 60 years old), and the restoration of the popularity of mass tourism after the post-pandemic period have given impetus to the formation of new destinations.

“Development directions and socio-economic results of tourism in Azerbaijan”, consists of three paragraphs and consists of determining the main directions of tourism development in the country, its macro and microeconomic impacts, and the tourism potential of the liberated

⁸Tourism and the Sustainable Development Goals-Journey to 2030: [Electronic resource] / January 25, 2018 / URL: <https://www.unwto.org/global/publication/tourism-and-sustainable-development-goals-journey-2030>

territories. The current state and development directions of the tourism industry in Azerbaijan are analyzed as one of the main areas of the non-oil sector of the economy, creating additional jobs, accelerating the development of road and hotel construction, and contributing to the preservation of traditional crafts and our national culture. At the same time, the hosting of the Eurovision Song Contest since 2012, the FIFA U-17 Women's World Cup, the first European Games in Azerbaijan in 2016, five Formula 1 Grand Prix events at the Baku City Circuit in Baku 2016, the Islamic Solidarity Games in 2017, the 5th World Forum for Intercultural Dialogue in 2019, and the International Astronomy events in 2023 are among the factors that boost the development of international tourism in the country. The main tourism directions of the tourism strategy in Azerbaijan for 2023-2026 have been determined. Nine basic directions of the tourism strategy have been determined, which include increasing the GDP share of the tourism sector, increasing its direct impact on the economy, and ensuring employment of the population. At the same time, measures are being taken to improve air transport connections with the target countries identified in the strategic roadmap and ensure accessibility.

According to the State Statistics Service, in 2021, the number of arrivals from more than 165 countries of the world was 791.8 thousand people, which was 28.6% of the results of 2019. In 2022, this figure reached 1.6 million people, compared to 3.8 million in 2019, when more citizens entered the country. In 2022, arrivals to the country amounted to 42.1% compared to 2019. According to estimates for the last nine months of 2021-2023, although the number of tourists arriving in the country increased, the main part of it fell on Russia and other CIS countries. At the same time, the increase in the number of tourists from Turkey can be considered a positive trend in this area ⁹.

The average length of stay of tourists coming to the country is 3-6 days, which can be considered a positive indicator compared to the countries of the nearby region. When analyzing the purpose of the tourists coming, although those coming for business purposes predominate, the number of tourists choosing recreation, cultural-

⁹Azerbaijan State Statistical Committee. Statistical collection of tourism in Azerbaijan. – Baku, - 2023, - 101 p.

understanding, and health centers has increased. Ensuring the dynamism of tourists coming for recreation, health, and cultural-understanding purposes has led to an increase in their length of stay in the country.

Table 1.
Dynamics of inbound tourism in Azerbaijan (thousand people)¹⁰

	2015	2016	2017	2018	2019	2020	2021	2022
Number of foreign citizens visiting Azerbaijan - total (thousand people)	2 006.2	2 248.8	2,696.7	2,849.6	3 170.4	795.7	791.8	1,602.3
on the purposes of the trips:								
for tourism purposes	1,921.90	2 044.7	2,454.0	2,605.3	2,863.50	519.4	461.7	1,058.1
from them:								
leisure, entertainment tourism	668.8	697.1	839.3	1,042.4	1,164.00	164.9	132.4	398.5
business tourism	632.3	691.7	834.4	787.4	850.5	177.5	196.7	400.5
medical tourism	36.5	41.5	49.1	63.1	63.9	10.4	8.3	14.0
religious tourism	11.5	12.6	14.7	15.3	16.6	3.0	0.9	2.2
visiting relatives and friends	542	562.0	674.9	651.6	719.9	133.2	100.7	184.8
for other tourism purposes	30.8	39.8	41.6	45.5	48.6	30.4	22.7	58.1
for other purposes	84.3	204.1	242.7	244.3	306.9	276.3	330.1	544.2

Ensuring development in the tourism sector in the post-pandemic period did not ensure that it reached the level of 2019. Thus, its share in GDP in 2021 was 1.3%, and in 2022 it was 1.6%. It should also be noted that the closure of land roads in the country due to the pandemic and high prices for air transport did not allow for an increase in inbound tourism.

The growth in the dynamics of hotels and equivalent accommodation establishments is due to the increase in demand for this

¹⁰Azerbaijan State Statistical Committee. Statistical collection of tourism in Azerbaijan. – Baku, - 2023, - 101 p.

sector. The number of overnight stays in the country increased by 35.6% in 2022 compared to 2015. It should also be noted that the one-time capacity of hotels reaches 60 thousand, of which 42.8% falls on the share of Baku. Hotel revenues have increased dynamically, the main part of which was obtained from direct room sales. Thus, compared to 2015, hotel revenues have almost doubled in 2022. While in 2019, when the highest tourist flows to the country were observed, it amounted to 450.2 million manat, in 2022 it decreased by 21.0% and amounted to 355.3 million manat. While payments to the state budget amounted to 42.3 million manat in 2019, this figure decreased by 40.1% in 2022 ¹¹.

The role of the tourism sector in the economic development of the country, ensuring its dynamism, is directly determined by the overall development of the economy. Although the direct **impact** of the tourism industry on GDP has increased dynamically in recent years, it has played a stimulating role for economic development.

The increase in the share of the tourism industry in GDP is reflected more in microeconomic effects, which have been significant in the formation of population incomes in the regions. The fluctuation of the direct effects of tourism in GDP, mainly between 3.5-4.5%, is considered a normal indicator for countries with a high fuel-energy balance in the structure of the economy.

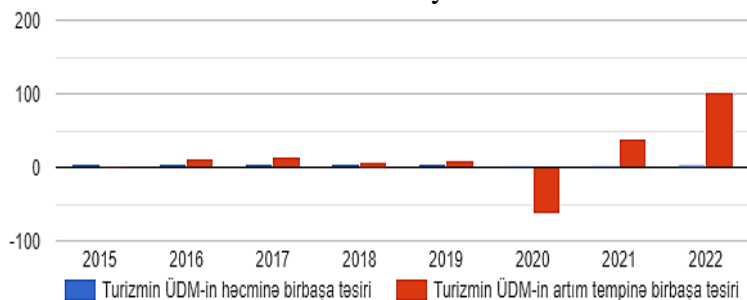


Figure 2. Direct impacts and dynamics of the tourism sector on GDP volume¹²

Thus, in most countries where the main part of GDP depends on

¹¹State Tourism Agency of the Republic of Azerbaijan's Post: [Electronic resource] / URL: <https://tourism.gov.az/en/page/statistics>

¹²Direct impact of tourism on GDP volume and growth rate: [Electronic resource] / URL: <https://sdg.azstat.gov.az/az/indicators/437/turizmin-udm-in-hecmine-ve-artim-tempine-birbasa-tesiri>

the fuel and energy industry, the share of the tourism sector varies between 3.5-5%. During the pandemic, the GDP impact of the tourism sector decreased to 1.2%. It should also be noted that in 2022, the direct GDP impact was close to 2.5%, which has not yet reached the level of this indicator in 2015. The 2022 report of the World Tourism and Travel Council noted that the total share of tourism in GDP in Azerbaijan (including investment, production chain and high-income impacts) is close to \$ 1.2 billion.

The dynamics of the share of the tourist accommodation and catering sector in GDP has also been observed to decrease due to various economic reasons, inflation, devaluation of the manat, and the pandemic. The highest period of the share of the sector mentioned in GDP was 2.4%, in 2013-2015 it fell to 1.8% due to the devaluation of the manat, and in 2020 to 1.1% due to the pandemic. The highest growth was more than twice between 2016-2018. The increase in demand for hotels, recreation centers, and catering establishments in tourism has accelerated the construction of accommodation and catering establishments. The value created by the tourist accommodation and catering sector accounts for 4.04% of the total economic activity.

Employment in accommodation and catering services in the tourism sector remains low. In the post-pandemic period, the recovery process has been relatively slow and there has been little increase in the share of the employed population. In 2022, employment in tourism in the post-pandemic period amounted to 153.1 thousand people, which is 4.1% lower than the period when employment was highest (2018).

Rating, comparison, integral, and cluster approaches were used in the assessment of tourism potential in the liberated regions. The assessment of the potential of territorial organization of tourism activity reveals new approaches, which also determines multi-criteria and strategic development directions. In the rating assessment, it is determined which region is considered a priority according to the magnitude of tourism potential, and the territories are ranked accordingly according to that indicator. The rating assessment of the tourism potential of the liberated territories was determined based on their species diversity, the level of provision by regions, and the results obtained from the multi-criteria assessment. Thus, in terms of health tourism potential, the Kalbajar, Lachin, and Shusha regions have a

superior position compared to other regions. Thermal therapeutic waters, balneological and climatic resources, phytotherapeutic opportunities, and attractive landscape factors in these regions are superior to other regions and are considered more promising. In the assessment of resources related to ecological and outdoor tourism activities, despite the potential in the liberated territories as a whole, some destinations are particularly distinguished. Such destinations include Hadrut settlement, Tugh, Taghlar, Azikh villages and surrounding areas in Khojavend region, the plateaus of Kalbajar region, Zulfugarli, Jomard, Istisu, Keshdek and other mountainous and foothill areas, Minkand, Mirik, Ahmadli, as well as areas in the Hakari river valley of Lachin region, and areas around Sugovushan settlement as more favorable areas in terms of ecological tourism. In accordance with the mentioned methodology, the following factors were taken into account in the multi-criteria assessment of tourism potential in the liberated territories:

There are 687 registered and several hundred unregistered archaeological and architectural monuments in the liberated territories. Based on the statistical data on monuments in the table, we can note that although cultural heritage monuments are spread throughout the region, the destinations where they are most concentrated include the city of Shusha, Tug-Azykh-Tagla settlements, Zulfiqarli and Vang villages of Kalbajar district, Shahbulag fortress in Agdam and the archaeological monuments around it. It should also be noted that according to the multi-criteria assessment of historical and cultural heritage resources in the region, Shusha, Khojavend, Kalbajar districts have a high indicator, Lachin, Agdam districts have a medium indicator, and Fuzuli, Jabrayil, Zangilan districts have a relatively average indicator¹³.

Nature-related tourism resources and activities. The climatic characteristics of the liberated territories are considered favorable for health recreation, winter tourism, ecotourism and other outdoor tourism activities. Areas favorable for the development of winter tourism mainly cover the middle and low mountains above 1500 m, and the number of snowy days reaches 102-150 days. The predominance of snow cover in

¹³On approval of the classification of immovable historical and cultural monuments under state protection in the territory of the Republic of Azerbaijan according to their importance: [Electronic resource] / August 02, 2001. URL: <https://e-ganun.az/framework/2847>

the mountain villages of Istisu, Demirchidam, Zivel, Soltan Heydar, Zulfugarli, Qamishli, Kechigaya, Bagirsag of the Kalbajar region, the mountain villages of Lachin region, the surrounding villages of the Chilgez and Gikhgiz mountains and the mountainous areas create favorable conditions for winter tourism.

Resources suitable for water sports activities. The liberated territories are distinguished by their dense hydrological network, their clear rivers and lakes rich in biomass, which are of great importance in terms of tourism. The Tartar River and its tributaries Tutgun, Agdaban, Levchay, as well as the Hakari River and its tributaries Bargushad and Hochaz rivers are suitable for rafting and other water sports. There are many volcanic and avalanche dam lakes in the liberated territories, which are suitable for the development of various types of winter-summer, recreational and outdoor tourism activities.

Health tourism resources. Mineral and thermal waters, healing microclimate, clean air rich in oxygen, and exotic landscapes in the liberated territories, rich in health tourism resources, create favorable conditions for the development of health tourism. There are more than 400 mineral and thermal water sources in the region, the main part of which is concentrated in the Kalbajar, Lachin, and Shusha regions. These include the Istisu, Zulfugarli, and Zar villages of Kalbajar, the vicinity of the Minkand, Ahmadli, Gizilcha, and Korbulag settlements of Lachin, and the Turshsu, Shirilan mineral waters in the Shusha region, etc. In particular, the mineral healing waters in the Kalbajar and Lachin regions have been confirmed to be superior to their international analogues.

Forests, bushes, green areas in the area. The rich vegetation, forests, exotic landscape of the liberated territories, especially the mountain-meadow landscape, are considered attractive factors for tourism. The mountain-forest landscape in the region accounts for 19% of the total area, the main part of which covers the Kalbajar, Lachin, Shusha, Khojavend regions. The third chapter, entitled “**Prospects for the development of innovative tourism industry in the liberated territories and opportunities for organizing clusters**”, examines the opportunities for using tourism potential in the region, creating tourism clusters, studying better international practices, and forming TRZs. In the liberated territories, stakeholders can include, in addition to state authorities, tourism industry entities, management

bodies, NGOs, communities, etc., in the stakeholder matrix.

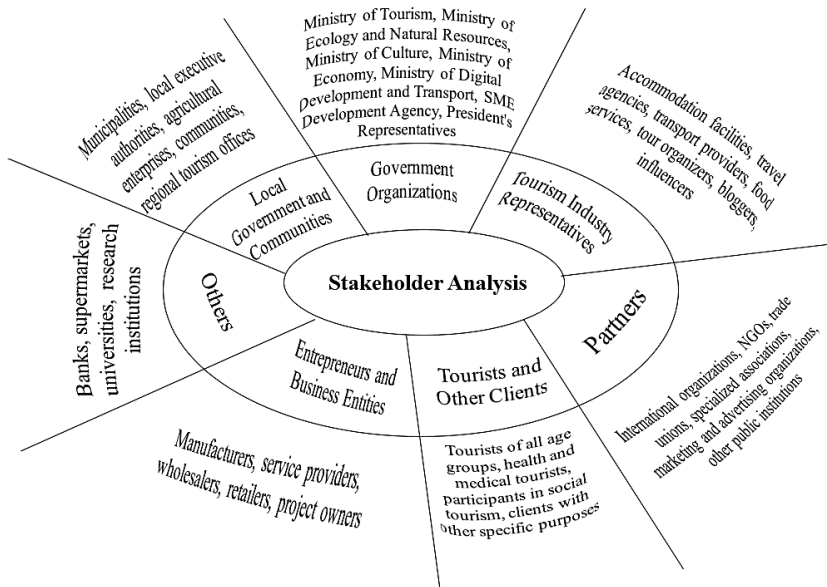


Figure 3. Stakeholder analysis in the liberated territories

Source: Compiled by the author.

DTA is interested in organizing specialized tourism destinations, TRZs and clusters in the region in determining the tourism strategy in the liberated territories. In this regard, specialized destinations include health, eco-health, cultural, ethno-cultural, eco-cultural, business-tourism and outdoor tourism activities, which are planned within the TRZs created in the regions. Thus, there is a potential for organizing clusters on health, eco-health, health-recreation, eco-agro tourism in Kalbajar and Lachin regions, ecotourism, eco-cultural, eco-agro, recreation in Khojavend region, cultural, recreation-health, event, ethno-cultural, creative tourism in Shusha city, ecotourism, health-recreation in Gubadli and Zangilan regions, cultural, ethno-cultural tourism in Aghdam region, eco-cultural, recreation-health tourism in Aghdara region. Currently, the attractiveness of the region allows for ensuring high tourist flows. According to the DTA, the number of people traveling to Shusha and Agdam in 2022 exceeded 21 thousand people. More than

17 thousand of them visited Shusha. In 2023, the number of people traveling to Shusha was 18,357, to Lachin 16,830, and to Agdam 6,320. According to the DTA, there are currently three hotels in Shusha city (Shusha Hotel-Congress Center-154 rooms, Khari Bulbul Hotel-48 rooms, Karabakh Hotel-96 rooms), one hotel-restaurant (Yasemen Hotel-Restaurant-20 rooms), “Abdallar” consisting of 45 cottages in Lachin city, “Hekari” recreation complex consisting of 4 cottages, one hotel in Agdam (Agdam City Hotel-130 rooms), one congress center (Agdam Congress Center-36 rooms), two hotels in Khankendi city (Palace Hotel-54 rooms, Karabakh Hotel-62 rooms). In total, there are 649 accommodation establishments operating in the region, which creates favorable conditions for tourists coming to the region to spend the night and relax.¹⁴

PESTLE analysis, a type of analysis frequently used by institutions and organizations in the private and public sectors, can be effective in the success or failure of institutions. The main factors that will stimulate economic development in the region include the introduction of new management systems in the last three years, the establishment of special representative offices, the application of many benefits for entrepreneurs, the provision of stimulating factors in the legislation, and the significant allocation of state budget funds to the restoration of direct infrastructure. In order to ensure the dynamism of economic development in the region, tax benefits, registration of residents and non-residents through ASAN service, and social insurance benefits are particularly noteworthy. In order to improve the entrepreneurial environment in the region and accelerate socio-economic development, profit, property, land, simplified tax, as well as machinery and technological equipment, raw materials, and materials imported by entrepreneurs who are VAT payers have been exempted from tax for 10 years starting from 2023. In addition, tax exemptions have been approved for the trade, construction, and service sectors of legal entities and individuals registered in the region. Including tourism, retail trade and catering facilities here can ensure the active participation of small business entities in the development of tourism in the region. In the

¹⁴State Tourism Agency of the Republic of Azerbaijan's Post: [Electronic resource] / URL: <https://tourism.gov.az/en/page/statistics>

concessions that provide for the co-financing of wages, the state will provide for the payment of 50% of the wages of the personnel of the State Employment Agency who have undergone vocational training for the liberated territories.

The study of international experience in the development of innovative tourism in the liberated regions can provide updated models for the development of tourism in the region and the formation of attractive tourist destinations. Such innovative solution models are presented in the construction of smart residential areas, in hotels in the city of Shusha. Thus, the joint provision of business and leisure opportunities in the mentioned hotels, as well as the creation of conditions for holding various events, create conditions for the formation of the city of Shusha as a creative tourist destination.

The application of international experience in the liberated territories consists mainly of measures aimed at ensuring relations between the agricultural and tourism sectors and their development. In international experience, a 1% increase in agricultural development is reflected in a 0.26% increase in the tourism sector. Considering that agriculture is a priority in the liberated territories, it will create conditions for stimulating the livelihoods of agricultural farms and communities by providing services to the tourism sector.

Therefore, SWOT analysis of tourism development in the region allows for the identification of key indicators in this area. At the same time, conducting SWOT analysis in the strategy of potential management based on international experience creates conditions for identifying development impulses, analyzing problems, attracting investments, and optimizing economic development.

In the liberated territories, it is possible to organize clusters of health, eco-health, ecological, outdoor tourism activities, recreation, eco-cultural and ethno-cultural, festival and creative orientation in the tourism destinations that will be formed in the future. In the liberated territories, health, eco-health clusters can form competitive clusters in the Kalbajar, Lachin and Shusha regions, outdoor tourism clusters can form competitive clusters in the Kalbajar, Lachin, Khojavend, Tartar, Zangilan, Gubadli regions, eco-agritourism, eco-cultural and ethno-cultural clusters can form competitive clusters in the Shusha city, as well as in the Tug-Azikh-Tagla settlements in the Agdam and Khojavend

regions.

For ecotourism and outdoor tourism activities in the region, the areas around volcanic lakes in Kalbajar district, Tartar and Tutgun river canyons, waterfalls, forest areas around Hadrut, Azikh, Tug, Taglar settlements in Khojavend district, caves suitable for speleotourism, geomorphological monuments, red leaf oak forests, mountain ranges and volcanic lakes in Lachin district, canyons of Hakari and Bargushad rivers, waterfalls, forest areas around Okchu and Basitchay in Zangilan district, forest areas around Shusha city and Dashalti, umbrella waterfall, Khan cave, mountain climbing, paragliding opportunities, ecotourism opportunities around Sugovushan can be noted. These areas provide favorable conditions for the development of specialized ecotourism areas such as hiking, speleotourism, mountaineering, paragliding, ziplining, rafting, and various types of water tourism. Ecotourism accounts for more than 30% of total tourist flows internationally (2.5% in Azerbaijan) and is growing dynamically.

The presence of many healing waters in the region, favorable microclimate conditions, and the presence of phytoplants create favorable conditions for the development of health tourism. The priority given to resort and health factors in the master plan of the city of Kalbajar, the laying of the foundation of the “Isti Su” sanatorium in 2022, Istisu, Zulfugarli, Minkand, Turshsu may form as thermal health and eco-health destinations of the region. A study of international trends in the field of health tourism shows that although the demand for this area has been high in the last decade, it accounts for 10-14% of the total tourist flows (2% in Azerbaijan). Therefore, in the liberated territories, the formation of health tourism clusters, along with thermal tourism, the formation of medical centers, the joint use of phytotherapy and eco-health opportunities would increase its competitive opportunities.

Cultural tourism clusters can be organized in Shusha city, Azikh-Tugh, Agdam-Shahbulag settlements. The organization of cultural-awareness excursion routes in Shusha city, tourism corridors based on the use of the historical and cultural heritage potential of Azikh-Tugh-Tagla, Agdam, Khojavend, Jabrayil, Gubadli, Lachin districts will increase its attractiveness. Many food products related to national and local cuisines are prepared in the region, which can be the basis for the development of gastronomic tourism. At the same time, the production

of Kalbajar and Lachin honey, other bee products, medicinal teas prepared from phytoplants of Eastern Zangezur, Kalbajar dairy products in the development of tourism, biofood production and packaged sales to tourists will give impetus to the development of community tourism.

One of the main directions in the development of tourism in the region is the organization of recreation and entertainment services, which can be organized in most settlements of the East Zangezur and Karabakh economic regions. For this purpose, the Dashalti, Turshsu villages of Shusha region, Hadrut settlement, Tugh village, Sugovushan settlement, Talish and Heyvali villages of Aghdara region, Imarat Garvant village of Aghdam region, Dag Tumas village of Jabrayil region, areas around Garagol of Zangilan region, Minkand, Agbulag villages of Lachin region, Veng, Zulfugarli villages of Kalbajar region have more attractive opportunities for recreation and entertainment tourism clusters. The mentioned type of tourism accounts for 55% in international tourism and 35% in our country, which will lead to the effective use of the potential of the region and the introduction of competitive products.

The formation of important transport hubs in the region, the development of road, rail, and air transport, as well as the intersection of important trade routes in the future and the creation of logistics centers will give impetus to the development of business tourism. In particular, the Minjivan settlement of Zangilan district, the Arazyany logistics center of Jabrayil district, and the Khanlig settlement of Gubadly district, located at the mentioned hubs, will constitute favorable settlements for the development of business tourism. Analysis of international tourist flows for business tourism shows that this area accounts for 11-13% of total tourist flows (30% in Azerbaijan).

The settlement of the population in the region, the application of smart village and city concepts will give impetus to the development of agro and community tourism. Agrotourism clusters can be planned in the settlements of Zangilan, Gubadli, Lachin, Kalbajar, Khojavend regions. The development of agro-eco and community-based tourism in the liberated territories can be based on both agriculture and the environment, and local traditions.

The mountainous areas of Kalbajar, Lachin and Shusha districts are considered more favorable for the development of winter tourism in the region. In Kalbajar district, the settlements of Demirchidam, Soltan

Heydar, the foothills of Boyuk Alagol, Kichik Alagol and Keshdek mountains, in Lachin district, Minkend and surrounding areas, the foothills of Farmachtepe and Giziltepe mountains are more favorable. According to the World Travel and Tourism Council, the share of those participating in winter tourism is 30-35%, which is considered favorable in terms of attracting tourists. In Azerbaijan, the total number of visitors to the winter tourism centers of Shahdag (Gusar district), Tufandag (Gabala), Agbulag (Shahbuz) in the 2021-2022 winter season, including overnight stays, exceeded 230 thousand people, which accounted for 10.9% of the total tourist flows.

RESULTS

- The application of innovation models in the study region will allow increasing the attractiveness of tourism destinations, implementing better practices and creating added value in economic development. It will also ensure employment of the population through the restoration of infrastructure, the creation of new production and service sectors, obtaining additional sources of income and participation of communities in tourism through the effective use of tourism potential.

- The restoration of underdeveloped or "gray" zones necessitates the application of new innovative and economic solution models. This will contribute to the restoration of economic balance and increase employment by improving the investment climate in the study region, as well as by stimulating entrepreneurs, taking into account the complementary role of the tourism sector in finding alternatives in tourism, introducing innovations and ensuring joint development with other sectors of the economy.

- Stimulating the tourism sector in Azerbaijan as one of the state's priority areas, transforming the country into an attractive tourism destination by holding various international events, creating an appropriate legal framework and favorable market opportunities have conditioned its development. Thus, increasing accessibility in tourism activities directed to target countries, expanding tourism infrastructure in regions besides Baku, approaching 2 million inbound tourism in the post-pandemic period, increasing the length of overnight stays to 3-5 days,

and making up 37.6% of inbound tourists with recreational, health and cultural motives, have created 2.4% added value in GDP.

- The effectiveness of tourism sector planning based on the application of gray zones and best practices in the development of tourism in the liberated territories is considered an important application in the formation of both tourism destinations and tourism clusters. The application of best practices in tourism is possible by forming specialized tourism destinations taking into account the attractive factors of the territory.

- Taking into account the attractive factors in the development of tourism in the region, the organization of ecological, eco-cultural, historical-cultural, ethno-cultural, health and eco-health, eco-agro, event, and outdoor tourism clusters in their respective areas of specialization is justified, taking into account the main attractive components of the newly created TRZ based on a multi-criteria analysis.

- A STAKEHOLDERS, PESTLE, and SWOT analysis of tourism development in the liberated territories has been conducted to determine the development directions of this sector. Thus, planning tourism development in the region together with other economic entities, taking into account the tourism and recreation potential in settlement and design of residential areas will allow business entities and communities to create added value.

- The economic effectiveness of organizing specialized tourism destinations in the liberated territories, including health and eco-health in Istisu, Zulfugarli in Kalbajar district, Minkend in Lachin district, Shusha city, Tug and Hadrut as a cultural, eco-cultural, event and creative tourism cluster, cultural, historical-cultural, eco-cultural tourism destinations Hadrut, Tug, Azikh, Taglar in Khojavend district, Shahbulag fortress and archaeological heritage samples in Garvand village in Aghdam district, eco-agrotourism in the meadows of Kalbajar and Lachin districts, vineyards and wine production (Khindogni grape variety) in Tug village, has been determined.

SUGGESTIONS

- Environmental protection and prevention of possible environmental threats in the use of existing potential in the liberated territories;
- Ensuring the development of the tourism industry in the liberated territories in interaction with other economic sectors;
- Taking into account local factors in the implementation of better practices, taking into account international experience in tourism development in the region;
- Ensuring the participation of communities in the development of the tourism industry and conducting vocationally oriented work in the employment of the returning population;
- Creating additional opportunities for entrepreneurs operating in the tourism sector and supporting their projects;
- Unlike other regions of the country, emphasis is placed on the application of innovations and modern technologies in tourism;
- Compliance with safety regulations in organizing proposed tourist routes and organizing planned tourist trips.

PUBLISHED SCIENTIFIC WORKS ON THE TOPIC OF THE DISSERTATION:

1. Muradov I.I. Comprehensive analysis of the opportunities of ecotourism in the liberated regions. Economy and region. No. 3(86), Ukraine-2022, pp. 65-72.
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Address: Baku city, H.Javid ave., 115. AZ1143

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