

REPUBLIC OF AZERBAIJAN

On the rights of manuscript

ABSTRACT

Author's of the dissertation submitted for the academic degree of
Doctor of Philosophy

PUBLIC-PRIVATE PARTNERSHIP AS A MECHANISM FOR IMPROVING THE EFFICIENCY OF STATE ADMINISTRATION

Specialization: 5909.01 - "State Administration"

Field of Science: Political Sciences

Candidate: **Aysel Shamil Guliyeva**

Baku - 2025

The dissertation was conducted at the Academy of Public Administration under the President of Azerbaijan Republic.

Scientific Supervisor: **Doctor of Political Sciences, Professor
Ziyafat Ziya Habibova**

Official Opponents: **Doctor of Political Sciences, Professor
Adil Mirabdulla Mirabdullayev**

**Doctor of Philosophy in Political
Sciences
Vasif Sultan Ismayilov**

**Doctor of Philosophy in Political
Sciences, Associate Professor
Elvin Behruz Talishinski**

The dissertation council FD 2.30, operating under the Academy of Public Administration under the President of the Republic of Azerbaijan, as authorized by the Higher Attestation Commission under the President of the Republic of Azerbaijan.

Chairman of the Dissertation
Council:



Academician


Urkhan Kazim Alekberov

Scientific secretary of the
dissertation council:



**Doctor of political sciences,
Associate professor
Sevda Aghamirza Aliyeva**

Chairman of the scientific
seminar:



**Doctor of political sciences,
Professor
Agiya Habib Nakhchivanli**

GENERAL CHARACTERISTICS OF THE DISSERTATION

Relevance of the topic and degree of research. The subject of research on public-private partnership (PPP) is highly relevant in the modern world as it pertains to economic development, addressing social issues, and improving the efficiency of state administration. These issues are of particular importance for the rapidly evolving and dynamically developing statehood of modern Azerbaijan.

Public-private partnership (PPP) is a form of collaboration between the government and the private sector in implementing joint infrastructure projects or providing public services. This model allows both parties to combine their resources and expertise to achieve mutually beneficial outcomes.

The relevance of studying public-private sector partnerships is demonstrated in several aspects:

1. Economic Development:

PPP contributes to the development of businesses and investments by attracting private financial resources for infrastructure projects and creating new jobs. This is particularly critical for developing countries with limited public financial resources.

2. Solving Social Problems:

PPP enables more effective solutions to social problems such as improving the accessibility and quality of education, healthcare, housing construction, and transportation services. By combining public funds and private expertise, it becomes possible to optimize costs and enhance the quality of services provided.

3. Innovative Development:

PPP fosters the advancement of innovation and technology since the private sector is more flexible and capable of innovation. Collaboration with private companies allows the government to apply new technologies and methods to public domains by utilizing private expertise and resources.

4. Efficiency in Public Administration:

PPP contributes to increasing the efficiency of public administration by enabling more transparent management and control in project implementation through the involvement of private

companies. Additionally, PPP helps improve public services by leveraging the best practices of the private sector.

Thus, the study of public-private sector partnership (PPP) issues allows for the preparation of recommendations and guidelines for the optimal use of this cooperation model to achieve high levels of socio-economic development in the state.

The scientific study of PPP at the dissertation level is relevant for Azerbaijan for several reasons. Azerbaijan aims to diversify its economy and reduce its dependence on the oil and gas sector. Research into PPP can contribute to economic development by attracting private investments, promoting innovation, and creating employment opportunities, offering insights into effective strategies to maximize economic benefits for Azerbaijan. However, its relevance goes beyond this. Azerbaijan has identified infrastructure development as a priority for sustainable development. In the context of infrastructure, studying PPP can help identify the most suitable sectors and projects for private sector involvement, evaluate the feasibility and financial sustainability of initiatives in this area, and explore risk-sharing mechanisms. Hence, this academic research can provide valuable guidelines for relevant state institutions in Azerbaijan to efficiently plan and implement infrastructure projects through PPP.

The study of public-private sector partnership is of special relevance to Azerbaijani political science as well as to increasing the efficiency of public administration. This field can contribute to economic development, address infrastructure needs, improve services provided, enhance governance and accountability, promote sustainable development, and enable the study of international best practices in this area.

Numerous definitions of public-private partnerships can be found in the documents of reputable international organizations, including the United Nations, the European Union, and the World Bank. According to these organizations, PPP is a specific form of collaboration between public authorities and businesses aimed at financing, constructing, rehabilitating, and managing infrastructure facilities or service sectors through a specialized management mechanism.

It is important to note that initial theoretical approaches to PPP can be traced back to economic theories. These approaches were first introduced in the works of representatives of the classical school of political economy, such as Adam Smith and John Stuart Mill. Later, the issue of state intervention in the economic sphere was explored by representatives of the neoclassical school of economics. Among them, John Bates Clark¹, Léon Walras², and Arthur Pigou³ paid special attention to the nature of the interactions between public and private sector entities.

In the 1920s–30s, representatives of neoliberalism such as F. von Hayek⁴ and L. von Mises⁵ highlighted issues related to state intervention in the private sector and the social obligations of private sector representatives.

The concept of public-private partnership (PPP) was examined more systematically and conceptually by representatives of the Keynesian school. Figures such as J. Keynes⁶, a representative of dirigisme, F. Pigou, and J. Tobin, a representative of neo-Keynesianism, along with E. Hansen⁷, played prominent roles in these studies.

Starting from the 1950s, public-private partnerships moved beyond the framework of purely economic issues. In countries within the British Commonwealth, particularly in Australia, the United Kingdom, and Canada, PPPs began to be considered as a management

¹ Hacızadə E.M. Sosiallaşan iqtisadiyyat. Bakı, Elm, 2006. 509 səh

² Мостепанюк А.В. Формирование научных взглядов на сотрудничество государства и частного капитала в рыночной экономике. Современная наука №3 (3) 2010. Стр. 182-186

³ Həmən mənbə

⁴ Хутидзе Тимур Мурманович (2015). Фридрих фон Хайек и экономическая мысль неоавстрийской школы. Вестник Волгоградского государственного университета. Серия 9: Исследования молодых ученых, (13), 77-81.

⁵ Мизес Л. фон. Либерализм / Пер. с англ. М.: Экономика, Социум, 2001

⁶ В.С.Каменков, О.М. Куницкая: Правовое обеспечение развития государственно-частного партнёрства в зарубежных странах. Журнал Юридической науки Белорусского государственного университета. Выпуск 1/2013

⁷ Aydin U.S., Uste, A.N. Review of new political risks for the multinational energy corporations in the Caspian basin: a study for Azerbaijan, Transnational Corporations Review, 2022

problem. Specifically in the UK, PPPs started to be studied as an issue of governance. The pioneers in this field were M.Boult-Spring⁸ and G.Devault⁹, who for the first time provided a nine-type interpretation of PPPs. British researchers such as R.Holland, A.Herring, Sellgren, Bennett, and Krebs¹⁰ worked on defining the management mechanisms of PPPs.

Among the research in the field of PPPs, the work of E.Savas¹¹ is particularly noteworthy. In his interpretations, Savas emphasized that the outcomes of public-private partnerships should serve the implementation of social infrastructure projects. Alongside Savas, other researchers such as Klein and Teisman, M.Gerrard, H.Van Heim, A.Akintoye¹², G.Hodge, and K.Greve considered PPPs as a management category.

In the post-Soviet countries, the collapse of the administrative command system and the transition to a market economy heightened interest in PPPs as a solution to the implementation challenges of socially significant infrastructure projects. Among researchers in neighboring countries who have studied this topic are A.Alpatov¹³, A.Zverev, A.Babayev¹⁴, V.Kamenkov¹⁵, O.A.Yastrebov¹⁶,

⁸ Bult-Spiering M., Dewulf G. Strategic Issues in Public-Private Partnerships: an International Perspective. – Blackwell Publishing Ltd., UK, 2006. – P. 16-27

⁹ Нәмән мәнбә.

¹⁰ Лукина А.Н. Административно-правовое регулирование государственно-частного партнерства в России: диссертация ... кандидата юридических наук: 12.00.14. - Москва, 2016. – С. 17

¹¹ Savas E.S. Privatization and Public Private Partnerships. N.Y.: Chatham House Publishers, 2000 P. 105-106

¹² Akintoye A., Beck M. Policy, finance & management for public-private partnerships. / A. Akintoye, M. Beck / Published by Blackwell Publishing Ltd, London, U.K, 2015. – 275 p

¹³ Алпатов, А.А. Государственно-частное партнерство: механизмы реализации // А.А.Алпатов, А.В.Пушкин, Р.М.Джапаридзе. — М., 2010

¹⁴ Бабаев Б.Д. Экономика (Экономическая теория): Учебное пособие для вузов / Б.Д.Бабаев. – 4-е изд. - Иваново-Москва – Тверь: Ивановский государственный университет, Московский государственный университет экономики, статистики и информатики, Тверской филиал, 2002. – 480 с

¹⁵ В.С.Каменков, О.М.Куницкая: Правовое обеспечение развития государственно-частного партнёрства в зарубежных странах. Журнал

E.Frolova¹⁷, E.Tagiyev¹⁸, D.Naydenov, A.Smirnov¹⁹, A.Mostepanyuk²⁰, M.Klinova²¹, A.N.Lukina²², N.A.Oreshkova, N.Kvashnina²³, I.Sosna, E.Gorchakova²⁴, L.Mingaleeva, and A.Lukina²⁵.

In Azerbaijan, this topic also garners significant interest. In recent years, PPPs have been studied both as an economic mechanism and as a tool for public administration. Economists such as R.S.Abdullayeva, A.N.Muradov, P.S.Hasanov, N.A.Azizzadeh²⁶,

Юридической науки Белорусского государственного университета. Выпуск 1/2013

¹⁶ Ястребов О.А. Создание условий для развития института ГЧП в Российской Федерации. Журнал «Проблема современной экономики» 2010. Стр. 206-208

¹⁷ Фролова. Е.А. Государство в современной экономической теории: кейнсианские, неоклассические и институциональные трактовки проблемы. Вестник ТГПУ. 2000. Выпуск 5 (21). Серия: Экономика. Стр 44-51

¹⁸ Тагиев Э. Воротников А. М. Состояние государственно-частного партнерства в Азербайджанской Республике. Журнал исследований по управлению том 4 № 5 , 2018. Стр. 28-38

¹⁹ Смирнов А.О. Механизм создания совместного предприятия по реализации проектов ГЧП. Экономика И Управление [] В XXI Веке: Тенденции Развития. Стр 51-56

²⁰ Мостепанюк А. В. Формирование научных взглядов на сотрудничество государства и частного капитала в рыночной экономике. Современная наука №3 (3) 2010. Стр. 182-186

²¹ Клинова М. Взаимодействие государство и бизнеса. Взгляд сквозь время. Экономическая стратегия. № 4/2016. Стр 189-196

²² Лукина А.Н. Административно-правовое регулирование государственно-частного партнерства в России: диссертация ... кандидата юридических наук: 12.00.14. - Москва, 2016. – С. 17

²³ Квашнина Н.А., Орешкова М.Е. Систематизация подходов к пониманию государственно-частного партнерства в России за рубежом. Вестник финансового университета. N3. 2011 стр 5-12

²⁴ Горчакова Е.В. Особенности теории государственно-частного партнерства // Российское предпринимательство. – 2014. – Том 15. – № 3. – С. 25-33

²⁵ Лукина А.Н. Административно-правовое регулирование государственно-частного партнерства в России: диссертация ... кандидата юридических наук: 12.00.14. - Москва, 2016. – С. 17

²⁶ Azərbaycanca sosial sahibkarlığın inkişafı: kollektiv monoqrafiya. / Elmi red. N.M.İmanov; tədqiqatçılar R.S.Abdullayeva, A.N.Muradov, P.S.Həsənov, N.A.Əzizzadə. Bakı: Optimist MMC, 2022. 136 səh

E.M.Hajizadeh²⁷, S.A.Eyvazova²⁸, and M.S.Hamzaoglu²⁹ have analyzed various aspects of the issue, including its applicability and future prospects in Azerbaijan.

Overall, an analysis of the scientific literature on this topic demonstrates that different aspects of PPPs have been studied by researchers from Azerbaijan and other countries. However, public-private partnerships have not yet been systematically investigated as a mechanism for improving the efficiency of public administration. This dissertation represents one of the first attempts to explore this issue in such a systematic manner.

The research object includes the PPP system, which reflects the interaction between public authorities, private businesses, and state institutions, aimed at implementing socially significant projects and enhancing the efficiency of public administration.

The subject of the research comprises the mechanisms, tools, and conditions for implementing PPPs that contribute to improving the efficiency of public administration.

Objectives and tasks of the research:

The primary objective of this research is to substantiate the effectiveness of public-private partnerships as a management mechanism in the Republic of Azerbaijan and to study their development prospects.

To achieve the stated objective, the following tasks were set:

1. Examination of the theoretical and methodological foundations of public-private partnership (PPP), including a review of relevant approaches in this field.
2. Interpretation of the essence, functions, structure, and primary purpose of PPP as a public administration mechanism.
3. Study of international practices in public-private partnership.
4. Analysis of the regulatory and legal framework of PPP in Azerbaijan to clarify its role as a management mechanism.

²⁷ Hacızadə E.M. Sosiallaşan iqtisadiyyat. Bakı, Elm, 2006. 509 səh

²⁸ Eyvazova S.Ə. Avropa İttifaqı və Azərbaycan Respublikası əməkdaşlığının hüquqi əsasları. Dərs vəsaiti. Bakı: "AZƏRNƏŞR", 2018, 288 səh

²⁹ Həmzəoğlu, M. Regionlarda uğurlu dövlət-özəl sektor tərəfdaşlığı. Xalq cəbhəsi.- 2018.- 10 iyul.- S. 12

5. Investigation of the development characteristics of public-private partnership in Azerbaijan.

6. Conducting a SWOT analysis of promising areas for PPP mechanisms in Azerbaijan.

7. Exploring the prospects for applying PPP mechanisms in the restoration and reconstruction of social infrastructure facilities in territories liberated from occupation.

Research Methods

To address the research tasks, expert evaluation and comparative analysis methods were applied. Additionally, a SWOT analysis method was utilized to assess the prospects for implementing PPP mechanisms in Azerbaijan.

Key Provisions Submitted for Defense:

1. Conceptual Analysis of Public-Private Partnership (PPP):

Through a conceptual analysis of public-private partnerships, it is concluded that PPP initially emerged as a process of state intervention to support the economic sector during crises. Over time, it evolved into a management mechanism, stemming from the necessity of fulfilling state interests and governance obligations towards society. It is no coincidence that the initial approaches to PPP were purely economic and later developed into governance-oriented models.

2. Definition and Principles of PPP:

Public-private partnership is a form of mutual cooperation between public authorities and the private sector aimed at implementing socially and economically significant projects. PPP is based on the principle of sharing risks, resources, and responsibilities between the state and private companies. This enables each participant to focus on their strengths, ensuring efficient use of resources and capabilities. Such collaboration increases the chances of successful implementation of projects, whether in infrastructure development, public service delivery, or innovation advancement.

3. Application Scope of PPP Projects:

PPP projects are primarily applicable in areas such as the implementation of infrastructure projects of national importance and improving social services. Expanding its scope alters its character as a management mechanism, transforming it into a tool for state

intervention in the economic sector to protect the interests of its entities.

4. Legislative Framework for PPP Implementation:

The existence of legislative norms is crucial for the successful implementation of PPP mechanisms. Global experience shows that countries with direct and indirect legislative frameworks for PPP application tend to succeed more. The presence of specific legislative norms helps effectively address potential issues during the process and eliminates regulatory contradictions in different normative acts.

5. Key Factors Influencing PPP Effectiveness in Azerbaijan:

- First, the need to reduce the economy's dependency on energy resources amid declining oil and gas revenues, coupled with the growing demand for large-scale infrastructure projects and the increasing burden on the social services sector.

- Second, the necessity of creating an effective mechanism to regulate relations between the state and economic entities in light of Azerbaijan's dependence on foreign investments.

- Third, following the 44-day Patriotic War and the liberation of occupied territories, there is a need for reconstruction in liberated areas, restoration of social and economic infrastructure, and preparation for mass repatriation. This requires limiting state budget allocations and transferring part of the financial burden to the private sector.

6. Development of the PPP Legislative Framework in Azerbaijan:

Over the past 30 years, Azerbaijan's PPP legislative framework has undergone a complex evolution. Relevant laws regulating the creation, implementation, and monitoring of projects involving the private sector have been adopted. A unified legislative act on PPP has been developed, creating a favorable environment for business and ensuring transparency for foreign investors. However, there is a significant need for specialized institutions to provide technical and methodological support for PPP projects. Such institutions could reduce risks and increase market confidence in the private sector.

7. Potential Sectors for PPP Effectiveness in Azerbaijan:

Infrastructure, energy, and transportation are sectors where PPPs can prove to be effective tools in Azerbaijan. For instance, road construction and port modernization projects implemented with private sector involvement could enhance the logistics network and boost the country's transit potential. In the energy sector, private sector participation could facilitate innovative solutions and more efficient use of resources. Ultimately, such strategic steps would ensure sustainable economic growth and transform Azerbaijan into a more globally competitive state.

Scientific Innovation of the Research

- The theoretical and conceptual foundations of PPP have been systematically studied for the first time in Azerbaijan.
- The functional foundations and elements of the PPP mechanism have been analyzed in the context of their interactions.
- The development characteristics of PPP mechanisms in Azerbaijan have been explored, and proposals for their improvement have been made.
- The normative-legal framework of PPP has been systematically analyzed by the author as a new mechanism for enhancing the efficiency of public administration in Azerbaijan.
- A SWOT analysis of the application of PPP mechanisms in social infrastructure sectors has been conducted, and the potential of PPP in the liberated territories of Azerbaijan has been forecasted.
- For the first time, the prospects for applying PPP mechanisms in the restoration of social infrastructure in liberated territories during the post-war period have been analyzed.

The Approbation and Application of the Research

The dissertation was conducted at the Department of Public Service and Personnel Policy of the Academy of Public Administration under the President of the Republic of Azerbaijan. Various provisions of the dissertation have been published in the form of scientific articles in local and international periodical scientific journals recognized by the Supreme Attestation Commission under the President of the Republic of Azerbaijan.

In 2022, articles titled “Methodological Analysis of Public-Private Partnership as a Mechanism of Public Administration” and “Public-Private Sector Relations in Traditional Economic Theories”

were published in Issues 4 and 6 of the journals Civilization and Geostrategy, respectively.

In 2023, the following articles were published:

- “Analysis of the Public-Private Partnership Mechanism in Western Practice” in Issue 3 of the journal Geostrategy.

- “The Regulatory and Legal Framework of Public-Private Partnership in Azerbaijan” in the journal Human and Biosphere.

Additionally, in 2023, the article “The Policy of Public-Private Partnership in the Republic of Azerbaijan” was published in Issue 2-59 of the journal Vestnik BIST.

Moreover, in 2024, a thesis titled “Public-Private Partnership in Azerbaijan as an Optimal Management Mechanism for the Reconstruction Process in Liberated Territories” was presented at the scientific conference on “Modern Management Models in Azerbaijan: New Realities and Perspectives,” organized by the Academy of Public Administration under the President of the Republic of Azerbaijan.

Furthermore, two theses were published at international scientific conferences held in Russia:

1. “Main Directions and Prospects for the Implementation of Public-Private Partnerships in Azerbaijan.”

2. “Public-Private Partnership as an Innovative Mechanism of Public Administration.”

These were included in the collections of articles from the following events:

- History, Political Science, Sociology, Philosophy: Theoretical and Practical Aspects: Proceedings of the LXXXI International Scientific and Practical Conference, Issue No. 6(63).

- Experimental and Theoretical Research in Modern Science: Proceedings of the CI International Scientific and Practical Conference, Issue No. 5(93).

Theoretical and Practical Significance of the Research

In this research a theoretical and methodological analysis of PPP (Public-Private Partnerships) as a modern mechanism of public administration was conducted, which can serve as a valuable foundation for future studies.

Detailed information was provided about the application features of PPP mechanisms in different countries. The dissertation

also contains valuable information as a resource for higher education institutions.

From a practical perspective, the dissertation investigated possible directions for the application of PPP mechanisms and offered valuable recommendations for public authorities. Specific proposals were made regarding the restoration of social infrastructure facilities in liberated territories during the post-war period through PPPs.

Institution the Dissertation Was Conducted

The Academy of Public Administration under the President of the Republic of Azerbaijan.

Structure of the Dissertation

The dissertation consists of an introduction, two chapters each with three subsections, a conclusion, and a bibliography.

- The introduction comprises 20,407 characters.
- The first chapter contains 98,292 characters.
- The second chapter includes 108,388 characters.
- The conclusion consists of 10,970 characters.

The total volume of the work is 251,980 characters.

MAIN CONTENT OF THE DISSERTATION

The dissertation presented by the doctoral candidate consists of two chapters: the first titled **The Theoretical and Methodological Foundations of Public-Private Partnerships (PPP)**, and the second **The Current Status and Application Perspectives of Public-Private Partnerships as a Governance Mechanism in Modern Azerbaijan**.

The first section of the first chapter is titled **The Essence of Public-Private Partnerships as a Category of Governance**.

In this section, the formation of the theoretical and fundamental bases of public-private partnerships (PPP), its essence, approach to the issue, and the analysis of hypotheses are conducted. The most precise definitions of PPPs today are provided by reputable international organizations such as the UN, OSCE, and the World Bank. According to their interpretations, PPP is viewed in two ways.

In the first, it is seen as a relationship between the state and business for national, international, regional, urban, and municipal economic and political development. In the second, it is understood as a project implemented between state authorities and representatives of the private sector within state-owned and local government objects.

The scientific approach and paradigms on PPPs did not emerge suddenly in public-political discourse. The transformation of PPPs into an important category of public governance has undergone a long-term theoretical and methodological research process. In the history of public, political, and economic thought, state-private partnership relations have evolved from economic theories that focus on state intervention in economic processes to management theories that treat it as a free governance category. It is evident that representatives of classical economic thought, such as A. Smith and J.S. Mill, the German historical school represented by D. List, and neoclassical political economists of the late 19th century like C. Clark, L. Walras, and A. Pigou, along with the neoliberal movement after WWII (F. Hayek, L. Mises), actively analyzed PPP as an economic relationship system and state intervention in economic processes. Within economic theories, the culmination of PPP analysis is considered Keynesianism. Unlike the liberal approaches of the Keynesian era, John Maynard Keynes argued that the state's role in regulating the economy at the macro level was essential. He also noted that direct state intervention in the economy was necessary for the security and development of the private sector. At the macroeconomic level, the state should prioritize investment in economic growth. Keynes and his followers preferred indirect state intervention in the economy, using mechanisms such as budgetary and financial-credit policies. Following Keynes, economist C. Tobin also approached the modern interpretations of PPP by arguing that the state must cooperate with the private sector in the implementation of social infrastructure projects.

These economic theories form the theoretical foundation for PPPs. However, since the 1960s, PPPs have also begun to be explored as an independent management category. As a management category, PPPs have been particularly widespread in the UK and countries in the

British Commonwealth. It is no coincidence that various institutional types of PPPs have been most widely developed in these countries.

The key researchers on PPPs in the UK include M. Bult Spring and Q. Devult, who first defined PPP as a legally sanctioned collaborative project between the state and private sector entities. The most precise definition of PPP is provided by E. Savaş, who describes state-private sector collaboration as a joint activity between the state, business, and society aimed at organizing development and improving the welfare of the population in a specific territory.

In the 1990s, PPPs acquired the status of an effective governance mechanism and began to be studied as an independent management category. In traditional economic theories, state-private sector collaboration was analyzed through the lens of state intervention in economic processes. However, as a management category, it focuses on the delegation of functions from the state to private sector entities, driven by the state's responsibility to society.

The second section of the first chapter is titled **Public-Private Partnerships as a Governance Category: Functions, Forms, and Models**. In this section, the functional characteristics of PPPs, the main goals of their creation, and the classification of different types and models of PPPs are presented.

It is noted that the primary goal of creating PPPs is related to the role of the state in the social and economic environment. While the state remains a governance mechanism, its traditional functions are not fully eliminated. The state still holds responsibility for the development of several sectors, such as the social sphere, service sector, and cultural environment. One of the main reasons for the establishment of PPPs is the partial transfer of responsibility for these sectors to the private sector. Another reason is the need to improve the efficiency of state governance systems and transition to innovative management methods. The state can adopt methods and approaches from the business sector to fulfill these tasks, which necessitates cooperation between the state and private sectors, thus providing the foundation for PPPs.

It is also mentioned that the establishment of PPPs does not only provide advantages for the state. Private sector representatives

also gain significant benefits. The advantages for both sides depend on the specific goals and tasks of the PPP.

It is noted that both state and private sector representatives carry out a range of functions during the formation of PPPs. The primary functions of the state include regulation, distribution, and stimulation of production for public welfare. The private sector, on the other hand, carries out the production and investment functions.

Regarding the PPPs themselves, it is necessary to point out that the functional classification of PPPs is more precisely provided by the Russian scholar Irodova. According to her classification, PPPs have social-production, financial-investment, coordination, integration, allocation, innovation, and optimization functions.

At the same time, a sectoral classification of the projects implemented within PPPs is presented, covering areas such as household services, healthcare, sports, education, and the cultural sector.

The types of PPPs (Public-Private Partnerships) are listed, including the following key forms of PPPs that are identified in global practice:

1. Special management contracts
2. Leasing
3. Concessions
4. Activity period contracts

The various PPP models accepted worldwide are also classified in the section. PPPs are divided into models according to the type of project implementation. These models include BOT (Build-Operate-Transfer), BOOT (Build-Own-Operate-Transfer), BOO (Build-Own-Operate), DBFO (Design-Build-Finance-Operate), and others.

The third section of the dissertation is titled **“The Application Characteristics of the PPP Mechanism in World Practice.”** The PPP model is a form of project management where the government and private sector collaborate. It is considered an effective tool for meeting infrastructure investment and public service delivery needs, particularly in the context of limited government budgets. The model became widely spread in Europe at the end of the 1990s and early 2000s.

Since then, PPP models have been used in various sectors, including transportation, energy, water, and social infrastructure. This approach offers several advantages, including reducing the financial burden on the government, leveraging the efficiency and innovative solutions of the private sector, and sharing risks. However, for successful implementation of PPPs, it is crucial to establish sound contracts between the parties and manage projects carefully.

Western countries are in leadership positions in the field of domestic PPP initiatives for several key reasons. First, these countries have larger and more diverse economies, increasing opportunities for financing various projects and initiatives. Moreover, high levels of technological development and innovation create a favorable environment for successful PPP projects. The existence of legal and regulatory frameworks makes the implementation of PPPs easier and more efficient.

In the United States, the wide application of Public-Private Partnerships (PPP) supports the development of infrastructure and services in various sectors. The PPP mechanism is commonly applied in the following areas:

1. **Transportation:** Funding and management of large transportation projects such as roads, bridges, tunnels, and public transportation systems.
2. **Water and Waste Management:** Projects involving the modernization and efficient operation of water supply and waste management systems.
3. **Energy:** PPP models are applied to develop renewable energy sources, increase energy efficiency, and improve energy infrastructure.
4. **Education:** Partnerships with private companies for the construction, modernization, and management of schools.
5. **Healthcare:** PPP projects for the construction and management of hospitals and healthcare centers.
6. **Real Estate:** Public and private sectors collaborate on urban development, residential complexes, and public spaces.
7. **Information Technology:** Collaborations for the development of IT infrastructure and cybersecurity projects.

8. **Defense:** Private sector involvement in the construction and management of military facilities and defense technologies.

In the United Kingdom, the PPP system stands out with its key features, making it an effective model for infrastructure projects:

1. **Long-Term Partnership:** Facilitates long-term relationships between the government and the private sector.

2. **Risk Allocation:** Risks are allocated to the party best able to manage them.

3. **Value for Money:** Projects are assessed for their total life-cycle costs, helping to determine the overall expenditure required for construction, operation, and maintenance.

4. **Innovation:** Private sector involvement encourages the development of new ideas and technologies to improve project efficiency and reduce costs.

5. **Transparency and Accountability:** Strong transparency and accountability requirements ensure projects are implemented according to high standards.

These features contribute to the success of the PPP model in the UK and ensure that projects are efficient, sustainable, and innovative.

In the European Union (EU), the approach to PPPs is decentralized due to the different legal and regulatory frameworks in its member states. However, the EU does have some common features for PPP systems, including:

1. **Public Infrastructure Projects:** PPPs are primarily used for the realization of public infrastructure projects such as roads, airports, and public buildings.

2. **EU Procurement Rules:** PPPs in the EU are subject to public procurement rules and must comply with EU competition laws.

3. **Long-Term Contracts:** PPP contracts are typically long-term, ranging from 15 to 30 years.

4. **Private Sector Responsibility:** The private partner is responsible for financing, designing, constructing, and operating the infrastructure.

5. **Public Ownership:** The government retains ownership of the asset and ensures its use for public purposes.

6. **Risk Distribution:** Risk-sharing between the government and private sector partners is a central element of PPP contracts, similar to the UK model.

The EU also promotes the development and management of sustainable PPPs through various initiatives, such as:

1. **European Fund for Strategic Investments (EFSI):** Established in 2015 to support strategic investments in infrastructure projects across transport, energy, and digital sectors.

2. **European Investment Bank (EIB):** Plays a key role in financing PPPs by providing funding through various financial models and credit opportunities.

3. **National Programs:** EU member states develop their own national strategies for implementing PPP projects based on regional needs.

4. **Public-Private Collaborations:** The EU encourages collaborations in sectors like transport, renewable energy, and digital services to ensure sustainable, efficient, and innovative projects.

In post-Soviet countries, the development of PPP projects has been weaker compared to Western countries. Several factors contribute to this:

1. **Lack of Experience:** There is insufficient experience in effectively implementing PPP projects, leading to poor organization and execution, resulting in delays and increased costs.

2. **Weak Legal and Regulatory Framework:** The legal framework required for PPPs is underdeveloped, creating uncertainty for investors.

3. **Corruption and Lack of Transparency:** Corruption, combined with a lack of transparency, diminishes the effectiveness of PPPs and makes it difficult to attract private sector investment.

4. **Economic and Political Instability:** Economic and political instability deters private sector investment and adds security risks.

In general, although some post-Soviet countries have seen successes with PPPs, these projects have been less successful compared to those in Western countries. Despite ongoing efforts since the 1990s, the effectiveness of PPPs remains in question.

The second chapter of the dissertation is entirely dedicated to Azerbaijan. It is titled “**The Current Status of State-Private Sector**

Partnerships in Azerbaijan and Prospects for Application,” and consists of three subsections.

The first subsection of the second chapter discusses **“The Normative-Legal Foundations of State-Private Partnerships in Modern Azerbaijan,”** analyzing the stages of formation of the legal framework for PPPs in Azerbaijan and the characteristics of its institutionalization. It is noted that the involvement of the state in the private sector is reflected in Article 59 of the Constitution of the Republic of Azerbaijan, creating a favorable environment for the establishment of the PPP mechanism.

In our country, the legal framework for the PPP (Public-Private Partnership) mechanism began to take shape in the early years of independence. Specifically, during the initial years of independence, replacing the administrative-command system with a market economy was a priority. The transfer of state-controlled economic sectors to private entrepreneurship was of great importance, requiring the establishment of a legal foundation. One of the first such documents was the **“Law on Investment Activity,”** approved by the President of the Republic of Azerbaijan on January 13, 1995.

Subsequently, on February 9, 1996, another significant legislative act, the **“Regulation on the Transfer of State Enterprises to Management on a Contractual Basis,”** was adopted. It should be emphasized that this regulation laid the groundwork for the organization of the first PPP mechanisms in Azerbaijan, particularly through concessions.

In Azerbaijan, the legislative framework for PPPs mainly encompassed the energy sector, reflecting its central role in the national economy during the early years of independence. In this context, the **“Law on the Use of Energy Resources,”** signed on May 30, 1996, by the then-President of Azerbaijan, Heydar Aliyev, became one of the first normative legal foundations for public-private partnerships.

In the 1990s, efforts to implement social infrastructure projects, reconstruct and enhance social policy infrastructure, and attract non-budgetary funds began. Grants became a critical mechanism for involving non-governmental funds in these areas. The

“Law on Grants,” adopted on April 17, 1998, became an indirect normative act regulating state-private sector relations in Azerbaijan.

One of the key legislative acts enabling PPP mechanisms and their concession forms was the “Law on Subsoil,” adopted on February 13, 1998. This law allowed private sector representatives to participate in the exploration and exploitation of mineral deposits in Azerbaijan.

This law served as a foundation for attracting private investors to Azerbaijan’s oil and gas industry over many years. While not directly establishing the legal basis for PPP mechanisms, it was a significant document in terms of state-private sector partnerships.

In 2016 and 2017, several normative legal acts were adopted to regulate the PPP environment in Azerbaijan, including:

1. The “Law on the Implementation of Investment Projects Based on Special Financing for Construction and Infrastructure Facilities,” adopted on March 15, 2016.

2. Based on this law, the Presidential Decree dated December 7, 2016, approved the “Rules for the Implementation of Investment Projects Related to Construction and Infrastructure Facilities Under the ‘Build-Operate-Transfer’ Model, the Requirements for Investors Depending on the Types of Construction and Infrastructure Facilities, the Features and Terms of Contracts, and the Determination of the Value of Goods and Services Produced as a Result of Investments.”

3. The “Rules for Calculating Obligations for Cooperation Assistance and Guarantees Under Contracts Signed Within the ‘Build-Operate-Transfer’ Model,” approved by the Collegium of the Ministry of Finance of the Republic of Azerbaijan on May 22, 2017.

The direct “Law on Public-Private Partnership” in Azerbaijan was adopted on December 27, 2022. This law, officially approved by the President of the Republic of Azerbaijan, clarifies the normative legal foundations that regulated state-private sector relations prior to its enactment.

In the first quarter of the 21st century and towards the end of its second decade, several specific factors highlighted the relevance of implementing the PPP (Public-Private Partnership) mechanism in Azerbaijan. These factors include:

1. Sharp decline in global oil prices, leading to a significant reduction in state budget revenues from the sale of oil and other energy products, thus necessitating the application of anti-crisis management mechanisms.
2. The global COVID-19 pandemic, which severely impacted the economies of developed countries, including Azerbaijan.
3. The escalation of the Armenia-Azerbaijan Nagorno-Karabakh conflict, culminating in the 44-day Patriotic War that resulted in Azerbaijan's liberation of its occupied territories. In the post-war period, extensive reconstruction efforts were needed in liberated territories, including the restoration of social and economic infrastructure and preparations for large-scale repatriation. To achieve these objectives, it became essential to limit state budget expenditures and shift part of this burden to the private sector.

The second subsection of the second chapter of the dissertation is titled **“Formation and Development Characteristics of Public-Private Partnerships in Azerbaijan.”** It should be noted that the implementation of the PPP mechanism in Azerbaijan was driven by the socio-political and economic necessities of the time.

After gaining independence from the Soviet Union in the 1990s, Azerbaijan faced significant economic challenges, including hyperinflation, industrial decline, and a lack of foreign investment. The country had a critical need for modernization and development of infrastructure, particularly in the energy, transportation, and telecommunications sectors. To address these issues, under the leadership of the National Leader Heydar Aliyev, the Azerbaijani government initiated economic reforms, including privatization and liberalization policies. One of the primary tools for modernizing infrastructure was the public-private partnership model. This model invited private companies to invest in state infrastructure projects with the goal of sharing risks and rewards between the public and private sectors.

The first public-private partnership project in Azerbaijan was the “Contract of the Century,” signed in 1994. The “Contract of the Century” was a production-sharing agreement (PSA) between Azerbaijan and a consortium of foreign oil companies led by BP for the exploration and development of offshore oil fields in the Caspian

Sea. While not a typical PPP agreement, as it was primarily a commercial agreement between the Azerbaijani government and foreign companies, it laid the groundwork for future collaborations.

The second major project was the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, signed in 1999. The project aimed to transport crude oil from Azerbaijan's Caspian Sea oil fields to the Mediterranean Sea, bypassing Russia and providing an alternative route. The project was led by a consortium of international companies, including BP, and was financed through loans from international banks.

The success of the BTC project paved the way for future public-private partnership projects in Azerbaijan. In 2006, the government established the Azerbaijan Investment Company (AIC), tasked with attracting foreign investments and managing PPP projects in the country. The AIC oversaw various infrastructure projects, including the construction of the Baku International Sea Trade Port, the reconstruction of Baku Airport, and the development of the irrigation system on the Araz River.

Another example of a successful PPP project in Azerbaijan is the construction of the Baku-Tbilisi-Kars (BTK) railway, built by a consortium of Azerbaijani, Georgian, and Turkish companies. The project involved an agreement between the Azerbaijani and Turkish governments to create a joint venture to manage the construction and operation of the railway.

The early examples of PPP projects in Azerbaijan included production-sharing agreements with foreign companies and the transfer of Baku Electric Network to Turkey's Barmek Holding A.S. Overall, the development of entrepreneurship in Azerbaijan can be divided into two stages: before and after 2002. Prior to 2002, the focus was on stabilizing the economy and establishing structures. After 2002, the government adopted various programs and improved legislation to promote the sustainable development of entrepreneurship. The Entrepreneurs' Council was created as a form of public-private dialogue, along with institutional mechanisms like the Azerbaijan Export and Investment Promotion Foundation and Business Training Centers. The council aimed to improve the business environment, address issues in the field, and submit relevant proposals to the President of Azerbaijan.

PPP projects in Azerbaijan can be implemented in various sectors, including bridges, tunnels, water treatment facilities, gas pipelines, education, healthcare, cultural and tourism facilities, sports centers, industrial parks, and railway systems. The law also encompasses special economic zones, sea and air ports, freight and passenger terminals.

The future of the PPP sector in Azerbaijan appears promising, as the government demonstrates a strong commitment to infrastructure development and promoting private investments. Furthermore, the country has a favorable investment climate and a robust legal framework for PPP projects. Overall, with the government's dedication to encouraging private investments and creating supportive legal and regulatory frameworks, the PPP sector in Azerbaijan holds significant potential. However, continued efforts are needed to address potential governance challenges and ensure the successful implementation of PPP projects.

The third subsection of the dissertation is titled **“Prospects for the Implementation of Public-Private Partnership as a Governance Mechanism in Azerbaijan: Analysis of Strengths and Weaknesses”**.

It should be noted that this subsection was written based on reference documents and focuses on the future perspectives of implementing the PPP mechanism in Azerbaijan. A SWOT analysis was conducted to clarify the strengths and weaknesses of this mechanism applied in the country. Initial proposals regarding PPP in Azerbaijan were presented in 2014 within the framework of a joint project by the Economic Research Center and the Entrepreneurship and Market Economy Development Assistance Fund. The project was titled “Opportunities for Public-Private Partnership in the Republic of Azerbaijan.”

The research was conducted by the expert group of the Economic Research Center, and seven proposals were made in connection with the development of PPP in Azerbaijan. It is necessary to analyze each of these proposals and determine their relevance to the modern context, as nine years have passed since the research was conducted. Proposals that were relevant at the time may require a fresh analysis in the current context.

The proposals, in summary, are as follows:

- Preparation of specific legislation in this area (already implemented);
- Identification of priority areas where public-private partnership projects will be applied;
- Signing concession agreements with business structures to transfer the management of state entities providing communal services to the population;
- Establishment of a Center for Public-Private Partnership Development under the Ministry of Economy to manage projects, select business partners, improve the legal framework, provide consultancy, and carry out other related functions;
- Development of a concept for the advancement of public-private partnership in the Republic of Azerbaijan;
- Training of professional personnel for managing public-private partnership projects;
- Ensuring the participation of civil society representatives in the selection process of private companies involved in collaboration, based on transparency principles.

In the “Conclusion” section of the dissertation, the scientific research is summarized, and theoretical and practical recommendations are provided based on generalizations. It is concluded that public-private partnership (PPP) is one of the most optimal, creative, and rational mechanisms that can be applied to the public administration process for the effective implementation of social service and infrastructure projects. The efficient functioning of this mechanism holds particular importance for Azerbaijan. Following the 44-day Patriotic War, the application of public-private partnership programs is seen as the most cost-effective mechanism for restoring social infrastructure in the territories liberated after 30 years of occupation, ensuring the complete completion of the repatriation process.

Published Scientific Works Reflecting the Main Results of the Dissertation:

1. 1. Dövlət idarəetmə mexanizmi kimi dövlət-özəl tərəfdaşlığının metodoloji təhlili. //Sivilizasiya jurnalı. Cild 11 №4 (53). 2022, səh 37-43
2. Dövlət-özəl sektor münasibətləri ənənəvi iqtisadi nəzəriyyələrdə. //Geostrategiya. Jurnalı. №6 (72), 2022, səh 48-52
3. Qərb təcrübəsində dövlət özəl tərəfdaşlıq mexanizminin təhlili. //Geostrategiya jurnalı №3 (75) 2023, səh 30-33
4. Политика государственно-частного партнерства в Азербайджанской Республике. «Вестник БИСТ (Башкирского института социальных технологий)» 2023 № 2(59), səh 167-174
5. Azərbaycanca dövlət-özəl tərəfdaşlığının normativ hüquqi bazası. //İnsan və biosfer jurnalı. 2023. N 18 Səh. 209-224
6. Azərbaycanca dövlət-özəl tərəfdaşlığı işğaldan azad edilmiş ərazilərdə bərpa quruculuq prosesi üçün optimal idarəetmə mexanizmi kimi.//Azərbaycanda müasir idarəetmə formaları : yeni reallıqlar və perspektivlər mövzusunda elmi konfrans. Bakı 2024
7. Основные направления и перспективы внедрения ГЧП в Азербайджане// История, политология, социология, философия: теоретические и практические аспекты: сб. ст. по матер. LXXXI междунар. науч.-практ. конф. № 6(63). – Новосибирск: СибАК, 2024. – С. 12-17.
8. Государственно-частное партнерство как инновационный механизм государственного управления //Экспериментальные и теоретические исследования в современной науке: сб. ст. по матер. CI междунар. науч.-практ. конф. № 5(93). – Новосибирск: СибАК, 2024. – С. 154-157

The defense of the dissertation will take place on 27.02, 2025, at 13:30 during the meeting of the FD.2.30 Dissertation Council operating under the Academy of Public Administration under the President of the Republic of Azerbaijan.

Address: AZ 1001, Baku, Lermontov Street, 74.

The dissertation is available for review at the library of the Academy of Public Administration under the President of the Republic of Azerbaijan.

Electronic versions of the abstract have been published on the official website of the Academy of Public Administration under the President of the Republic of Azerbaijan.

The abstract was sent to the necessary addresses on 21 January 2025.

Document signed: 16.12.2024
Paper format: A5
Volume:38.414
Print run: 20