

KHAZAR UNIVERSITY

Faculty: Graduate School of Science, Art and Technology

Department: Department of Political Science and Philosophy

Specialty: International Relations and Diplomacy

MASTER THESIS

**Topic: Examining the role of Public-Private Partnership in
Post-Conflict Reconstruction and Development**

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May 2022

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Abstract

The main objective of this thesis is to examine and analyze how and in what sense Public-Private Partnership can be a significant tool for Azerbaijan in order to implement in its Post-Conflict Reconstruction and Development plans. The Karabakh War and nearly 26 years' long Armenian occupation left behind totally destroyed infrastructure for habitat. Government of Azerbaijan will need massive financial resources to bring its citizens back and integrate liberated territories to the rest of the country. Purpose of this research is to analyze PPP concept and its current status in Azerbaijan in order to understand framework and provide findings as recommendations. The study seeks to analyze legal basis of PPP in country, attitude of government towards PPP and provide perspectives before possible shift in government policy with respect to PPP concept.

The author used a single case study in this thesis. Qualitative research methods were point of reference for the author. In addition, qualitative in-depth expert interviews with Azerbaijani and Kyrgyz experts were determined as main data collection method, while secondary sources were also referred.

The study results determined a weak PPP environment due to various reasons. However, initial seeds of change were observed in attitude of government towards PPP as this concept mentioned in Azerbaijan 2030: National Priorities for Socio Economic Development paper to be driving force for reconstruction and development projects. The results of this study also revealed that country specific realities should be considered while developing PPP concept in a country. PPP models which retains operation, and transfers the infrastructure to the public party are more eligible for the case of Azerbaijan. In general, both public and private sector in Azerbaijan lacks expertise to understand and implement PPP in Azerbaijan. PPP concept are disorderly in Azerbaijan with medium level legal compliance and weak effectiveness. There is also a need for an independent PPP agency, if government desires to acquire real results. Required human capital for the establishment of a PPP agency is not sufficient in public sector and there is need for intensive training and education by proper foreign institutions.

Şükür Quliyev

Dövlət-özəl əməkdaşlığının rolunun postmünaqişə yenidənqurma və inkişaf prosesində tədqiq edilməsi

Referat

Bu tədqiqatın əsas obyektı Dövlət-özəl tərəfdaşlığının Azərbaycanın postmünaqişə yenidənqurma və inkişaf planlarını həyata keçirmək üçün necə və hansı mənada mühüm alət ola biləcəyini araşdırmaq və təhlil etməkdir. Birinci Qarabağ müharibəsi və 26 ilə yaxın davam etmiş erməni işğalı geridə yaşayış üçün tamamilə dağıdılmış infrastruktur qoyub. Azərbaycan hökuməti öz vətəndaşlarını geri qaytarmaq və işğaldan azad edilmiş əraziləri ölkənin qalan hissəsinə inteqrasiya etmək üçün böyük maliyyə resurslarına ehtiyac duyacaq. Bu tədqiqatın səbəbi Dövlət-özəl əməkdaşlığı konsepsiyasını və onun Azərbaycanda mövcud vəziyyətini təhlil etməklə mövcud çərçivəni başa düşmək və nəticələri tövsiyələr kimi təqdim etməkdir. Tədqiqat ölkədə Dövlət-özəl əməkdaşlığının hüquqi əsaslarını, hökumətin konsepsiyaya münasibətini təhlil etməyə və bu konsepsiyası ilə bağlı hökumət siyasətində mümkün gələcək dəyişikliklərdən əvvəl perspektivləri təmin etməyə çalışır.

Müəllif bu tezisdə tək keys tədqiqatından istifadə etmişdir. Keyfiyyət əsaslı tədqiqat metodları müəllif üçün istinad nöqtəsi olmuşdur. Bundan əlavə, Azərbaycan və Qırğızıstan ekspertləri ilə keyfiyyət əsaslı və dərin ekspert müsahibələri əsas məlumat toplama üsulu kimi müəyyən edilib, eyni zamanda ikinci dərəcəli mənbələrə də istinad edilib.

Tədqiqatın nəticələri müxtəlif səbəblərə görə ölkədə zəif Dövlət-özəl əməkdaşlığı mühitini müəyyən etmişdir. Bununla belə, hökumətin konsepsiyaya münasibətində ilkin dəyişikliklərin toxumları müşahidə olunmuşdur. Belə ki, bu konsepsiya “Azərbaycan 2030: sosial-iqtisadi inkişafa dair Milli Prioritetlər” sənədində yenidənqurma və inkişaf layihələri üçün hərəkətverici qüvvə olmalıdır. Bu araşdırmanın nəticələri onu da göstərdi ki, bir ölkədə Dövlət-özəl əməkdaşlığı konsepsiyası hazırlanarkən ölkəyə xas reallıqlar nəzərə alınmalıdır. İdrəetməni dövlətdə saxlayan və infrastrukturunu dövlətə ötürən PPP modelləri Azərbaycan nümunəsi üçün daha uyğundur. Ümumiyyətlə, Azərbaycanda həm dövlət, həm də özəl sektorun Azərbaycanda konsepsiyanı başa düşmək və həyata keçirmək üçün təcrübəsi yoxdur. Azərbaycanda bu konsepsiya nizamsız şəkildədir, qanuna uyğunluq orta səviyyədədir və effektivliyi zəifdir. Hökumət real nəticələr əldə etmək istəyirsə, müstəqil Dövlət-özəl əməkdaşlığı agentliyinə də ehtiyac var. Agentliyin

yaradılması üçün tələb olunan insan kapitalı dövlət sektorunda kifayət deyil və müvafiq xarici qurumlar tərəfindən intensiv təlim və təhsilə ehtiyac var.

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List of abbreviations

AIC – Azerbaijan Investment Company

ADB – Asian Development Bank

AZPROMO – Export and Investment Promotion Agency of the Republic of Azerbaijan

BOLT – Build-Operate-Lease-Transfer

BOT – Build-Own-Transfer

BOO – Build-Own-Operate

BOOT – Build-Own-Operate-Transfer

BROT – Build-Rehabilitate-Operate-Transfer

DBFOT – Design-Build-Finance-Operate-Transfer

EBRD – European Bank for Reconstruction and Development

FDI – Foreign Direct Investment

IDA – International Development Association

IDP – Internally Displaced Person

KM – kilometer

MDDT – Ministry of Digital Development and Transport

MoE – Memorandum of Understanding

MW – megawatt

PCRD – Post-Conflict Reconstruction and Development

PEPDC – Public-Entrepreneur Partnership Development Center

People’s Republic of China

PFI – Private Finance Initiative

PPP – Public-Private Partnership

ROT – Rehabilitate-Operate-Transfer

SAAAR – State Agency of Azerbaijan Automobile Roads

SAMHI – State Agency on Mandatory Health Insurance

SCAUP – State Committee on Architecture and Urban Planning

SMBDA – Small and Medium Business Development Agency

SME – Small and Medium-Sized Enterprises

SOCAR – State Oil Company of Azerbaijan Republic

SOFAZ – State Oil Fund of Azerbaijan

UAE – United Arab Emirates

UK – United Kingdom

WB – World Bank

WDI – World Development Indicators

1. Introduction

Armed conflicts have always left their concerning territories with destruction of infrastructure and economy, although the scale of destructive impact varied depending on the conflict. Once a conflict reaches a phase of return to unstable peace, then reaches settlement, it is time to launch Post-Conflict Reconstruction and Development. Different stakeholders, such as concerning state itself, intergovernmental organizations, non-governmental organizations may involve in this process. Usually, let alone a developing state cannot afford work and invest towards effective and efficient PCRDR and it may take several years to finish. Even if scale of destruction of infrastructure and economy are mild, economic conditions and financial reserves of a developing state may not even afford it.

Rebuilding infrastructures and reviving economy effectively and efficiently require partnerships, partnerships that involve public sector, international agencies, and private sector. This tool is known as Public-Private Partnership (PPP) in the academia and business environment. Abbreviation may tell a lot, yet there is no single universally accepted definition of PPP. According to Yescombe and Farquharson (2018, p. 9) Public-Private Partnership is a long-term contract between a public sector party and a private sector party for the sole purpose of the design, construction and operation of public infrastructure by the later party, while there is a precisely agreed risk sharing.

In the contemporary context, economy of the Republic of Azerbaijan goes through its development, diversification and reform period. Main directions and development ways have already been determined, however, the process of exploration of new forms and methods for the sustainable development of the country is a continuous process. Azerbaijan has been consistently introducing development programs and strategic vision for the future of the country. Strategic Road Map of the Republic of Azerbaijan on the Perspective of National Economy set grounds and determined three distinct strategic visions concerning. Initial strategic vision was dedicated to a term until 2020. Second strategic vision was meant to concern long-term strategic vision until 2025, while the third one covered the period after 2025 (Strategic Road Map of the Republic of Azerbaijan on the Perspective of National Economy, 2016).

Certain global, regional, and local developments usually require particular adjustments to the vision. In this regard, the order of the President of the Republic of Azerbaijan on approval of

“Azerbaijan 2030: National Priorities for Socio Economic Development” dated February 2, 2021 was introduced serving to the future of country. Based on this order five priorities were determined, while one of them deserves a special attention. Fourth priority was devoted to the great return to the territories liberated from occupation. It is also important to realize that document recognized sustainable resettlement and reintegration into economic activity goals of the great return to the territories liberated from occupation to be done on the basis of Public-Private Partnerships (Azerbaijan 2030: National Priorities for Socio Economic Development, 2021). However, nothing considerable has been observed in the development of PPPs for already a year. Therefore, a PPP concept implementing in many countries for financing, construction, operation, and management of infrastructure development projects must be studied in order to avoid problematic aftereffects and rather implement it in the prosperous direction.

At the same time, the fifth national priority of Azerbaijan is put to be a clean environment and country of “green growth”. This priority also has a capacity to be linked with PPP initiative in the country. The first half of 2022 should be identified as successful period within the scope this priority. Azerbaijan signed Memorandum of Understandings (MoE) with multibillion companies to construct a clean energy infrastructure and held groundbreaking ceremony for two already agreed projects, alongside the preliminary agreements. In the very beginning of 2022, Azerbaijan held groundbreaking ceremony for “Khizi-Absheron” Wind Power Plant with Saudi Arabia’s ACWA Power (Azerbaijan State News Agency [ASNA], 2022). The project will have a capacity of 240 MW located in Khizi district, the 45 km North-West of Baku. It took months’ long negotiations and preparations to come this point. Core investment project agreements were signed between parties on December 29, 2020, for the contract duration of 20 years, commercial operational from 2023. The project has investment value of 300 million US dollars. “Khizi-Absheron” Wind Power Plant project is carried out within the framework of the Order of the President of the Republic of Azerbaijan “On measures for implementation of pilot projects using renewable energy sources” (ACWA Power, n.d.). However, this agreement is nothing, but a Foreign Direct Investment (FDI). Although, ACWA Power is a company doing business and making investments, its shareholders are Saudi government institutions and companies (ACWA Power, n.d.). Essential element for project to be considered PPP, there should be an element of private partner.

Another notable event for Azerbaijan in the first half of 2022 was a new groundbreaking ceremony in the field of renewable energy infrastructure. On March 16, 2022, Azerbaijan and the United Arab Emirates' (UAE) Masdar Company held a groundbreaking ceremony for Garadagh Solar Power Plant, some kilometers away from Alat district of Azerbaijan. The project will have a capacity of 230 MW, and investment value is projected to be approximately 200 million US dollars. Meanwhile, parties also decided to sign four new investment project agreements (Masdar, 2022). Core investment project agreements were signed between parties in April 2021 (Caspian Barrel, 2022). While the investment of ACWA Power is Azerbaijan's first ever foreign investment based independent wind power project, the investment of Masdar is noted for the first time ever notion in terms of solar power project. On the other hand, Garadagh Solar Power Plant can not be regarded as PPP as well, it is rather considered FDI. As can be seen in its website, Masdar Company is fully owned by the UAE Abu Dhabi government's Mubadala Investment Company (Masdar, n.d.). This is again an absence of private party involvement in the project investment which means it is not compatible with PPP framework.

Even this small element describes the complexity of PPP concept. That is why one should expect the unexpected while studying PPP. For this reason, countries should deal with PPP attentively. This should come from the philosophy of PPP is complex, let's not make it complicated as well. On the contrary, some countries, for instance, Azerbaijan currently lacks a comprehensive legal framework of PPP. It is important to research and analyze what is there and what is missing which creates drawbacks and sets limitations before the development of PPP concept in the country. There is also need for a special attention on developed and developing countries experience in PPP to understand global context and experience. It is better to understand context and mix generalization with country specific realities. Generalization is usually about different assessment reports where countries are studied within the same scope of criteria. Moreover, critical success factors also do play a significant role in generalization. This is simply because regardless of any country, situation with corruption, investment climate, trust between public and private parties, comprehensive legal framework is widely considered as must have elements to be available for the implementation of PPP projects.

From the historical perspective, PPPs were started to be implemented in developed countries, for example, in the United Kingdom (UK). Developing countries has been coping with infrastructure development problems for decades. Nowadays, developed countries implement PPP projects either

in megaprojects or upgrading and developing existing infrastructures, while developing countries deal with ghost infrastructures, infrastructures do not exist at all, and there are effective immediate needs for social and economic growth. Obviously, there are studies on PPP in developing countries on their implementation yet developing countries did not attract special attention in academia for deep and comprehensive analyses. As Osei et al. (2017, pp. 1-2) put it “Although the findings from previous studies contribute significantly to the proper implementation of PPP projects, exclusive attention on and investigation of factors that attract private investments in developing countries’ PPP markets are limited”. On this subject, this thesis had an objective to study Azerbaijan, a developing country dealing with PCRD and certain PPP concept framework in order to focus on its country specific characteristics for better contextual understanding as well.

In the meantime, it is important to differentiate that the scope of this topic, examining the role of Public-Private Partnership in Post-Conflict Reconstruction and Development should be understood in two regards. The first one sit in the name of topic visibly. It desired to examine the role of PPP for the resurrection of liberated territories of Azerbaijan from Armenian occupation. On the other hand, topic referred to examine possible application of PPP to the rest of Azerbaijan. Reconstruction and development projects require tremendous amount of financial resources and understandably the government of Azerbaijan has more priorities to focus on the liberated territories. Whenever, it will be complicated to assure some private sector participants to involve in reconstruction and development of the liberated territories, negotiation can be shifted to other regions of Azerbaijan, where those hesitant private investors accomplish their possible security concerns. Developments show that Azerbaijan has intention to employ PPP concept to add value to its future, the vision for 2030.

2. Literature review

Post-Conflict Reconstruction and Development is a long path to achieve for countries and agencies. There are several steps in the reconstruction. As Goulding (2005, p. 17) put it post-conflict reconstruction consists of six elements, such as security, political reconstruction, justice, human rights, economic and social reconstruction, and civil society. More focus will be devoted to economic reconstruction in this study. Author believed that elements must definitely be realized in the given order, although he reaffirmed the long-term importance of economic and social reconstruction. Hence, Goulding (2005, p.21) stated “... but it should not receive priority over security, political reconstruction and justice, the establishment of which are necessary conditions for economic and social reconstruction to succeed”.

He also somehow accepted that six elements were more relevant to civil wars yet continues to support its strong links with interstate wars. That might be true for most of the post-conflict reconstruction cases, yet it is also important to realize that one size does not fit all. Judgement should be made case by case, for instance, the Republic of Azerbaijan has already started its PCR process, especially with respect to economic reconstruction without the preconditions of political reconstruction, justice and human rights. Just after the Second Karabakh War in 2020, Azerbaijan constructed the Victory Road, all the way from Fuzuli district to Shusha city and Fuzuli International Airport. At the same time, Azerbaijan started construction of a new road from Goygol district to Kalbajar district through mountains, a new smart village in Zangilan district, international airports in Zangilan and Lachin districts and electricity stations all over the liberated territories etc. (“Modern”, “Oxu”, president.az, 2021).

As logical as it seems, Goulding argued that economic reconstruction was advised to start as soon as peace agreement was settled and international community should be closely involved in economic reconstruction (2005, p.21). However, Goulding would not argue this way, if he wrote it in 2022, considering the two and half year after the Second Karabakh War. The case is completely different here. From one hand, Armenia signed a capitulation act which ended the war back in 2020. On the other hand, there is not any peace agreement yet and economic reconstruction has already started. However, it is also important to realize that Goulding has a point. There is still tension around the former Nagorno Karabakh Autonomous Oblast, currently Karabakh economic district, and Armenia-Azerbaijan state borders. Consequently, there is great hesitance and skepticism among the foreign private sector members to invest in the liberated territories of Azerbaijan. Effective and efficient institutional guidance is must for selecting and executing the various projects linked to the different intergovernmental organizations and states. Obviously, a developing state will definitely face with financial and institutional limitations in economic reconstruction and development. Besides, intergovernmental organizations and states, private sector should be present there, as well. And this is where the Public-Private Partnership begins.

However, PPPs require the investment of private sector in territories where they are hesitant to allocate resources. Maresca (2003, p. 163) suggested that private sector desired security, political and legal guarantees in order to invest and work confidently. Moreover, businesses usually put attention to particular opportunities that are consistent with their own models. Such a distinct outlook creates an impasse before effective and efficient PPP initiatives and as Maresca (2003, p. 163) put it “We seek to overcome this difference, to find joint objectives which are attractive both

to international organizations and businesses, and to create public-private cooperation for specific business projects that contribute to recovery”.

In the same fashion with Goulding, Maresca in one way or another was right about required security, political and legal guarantees addressing to host country by private sector participants. Just 10 months ago it was announced that based on Azerbaijan, Israel and Italy trilateral cooperation a dairy farm will be built in Zangilan district. The announcement was that Israeli company would construct a dairy farm by using Israeli technology and then the dairy farm will be transferred to Italian company to operate (report.az, 2021). Even the ambassador of the State of Israel stated, “Right now there is nothing, but next year this is going to be the center of Azerbaijan, Israel and Italy cooperation” (“Azernews”, 2021). Unfortunately, until this time there is not any updated news regarding to the construction of a dairy farm. Indeed, this gives a sense that private sector participants of some friendly countries of Azerbaijan might be interested in the investment opportunities, yet they do not seem to be in a rush to invest and complete projects.

Public-Private Partnership covers various sectors concerning public services provided by the state institutions. Such projects may cover a toll road, an airport, a railway station, a seaport, utilities (natural gas, electricity, water), hospitals and etc. Reconstruction and development of liberated territories will require Azerbaijan to build not only those mentioned, but also to build many other infrastructures. Hospitals as part of healthcare system will be must upon IDPs (Internally Displaced Person) return to their hometowns. Therefore, PPPs can be mutually beneficial for both, public sector and private sector in those districts and cities.

Meanwhile, PPPs have different advantages for the public authority. In the first place, a qualified private partner has an ability to deploy a considerably mature set of administrative, operational, and tech experience and services, which can facilitate grounds for public party to handle state-controlled healthcare system. In addition, it lets public sector party to provide advanced medical technology on the expense of private party without devoted vast amount of money, as in any case it is a burden for public party without a PPP. Then, such partnership usually leads to offer certain services in an efficient and effective way thanks to the well-known economies of scale, which is a fruit of such partnership. Also, a PPP in healthcare system may be not a bankable project in a rural area. Rural healthcare bodies may lack economies of scale in certain healthcare services, and they can address their issue to a PPP project, while public body does not give up its autonomy (Egnew et al., 1998, p. 576 - 577).

Egnew and Baler provided certain advantages of a PPP in healthcare system that can seem reasonable. One thing for sure that such partnership allows government to avoid investment costs in construction of hospitals, providing all equipment and technology. Meanwhile, constantly public party pays for the services provided to the private party, when citizens are covered by obligatory health insurances. What authors particularly missed was that PPPs have different models such as Build – Operate – Transfer (BOT), Build – Own – Operate (BOO), Build – Operate – Lease – Transfer (BOLT), Design – Build – Finance – Operate – Transfer (DBFOT) and etc. From this point of view, it would be better to state which model of PPP is concerning in this approach. Afterwards, it would provide readers better understanding in terms of the advantages of a PPP for public party in the face of healthcare system. However, as to state it once more public party, let it be Azerbaijan obliged to construct its liberated territories from scratch, will have the initial of comfort of investment aversion into public service may facilitate to direct money to other reconstruction and development programs.

PPPs have a stimulating role in economic activities, which means besides investment expenditures avoidance public party has broader positive externalities. This is significantly depended on the success of PPP projects. In this regard, institutional factors in a given country, which are a direct responsibility of public sector are keys to success of PPP projects. Therefore, good institutions are expected to be present for the success of PPP projects that lead to investment rise in various sectors of an economy. As Sabry (2015, p. 568) put it “a better infrastructure would help firms to connect well with their suppliers and markets, as well as enable them to use techniques of production; and private investment in PPP is regarded as helping in fulfilling this objective”.

According to Sabry (2015, p. 569 - 571) the most important factors for a favorable PPP project outcome were potentially institution related factors, but that favorable outcome for delivering good infrastructural services and bringing investment opportunities is undeniably changing from one state to other. As various institutions may be covered by this, he categorizes these factors into governance and institutional. For governance factors, he suggests that good regulatory quality, bureaucratic efficiency, rule of law, freedom of expression & accountability, management of corruption and participatory methods. He stated that a strong rule of law has a positive effect on bringing private sector investment thanks to the empirically proven research (Allen and Ovary, as cited in Sabry, 2009, 569). In addition, rule of law must not be separated from protection of property rights and effective agreement enforcement mechanism in a country. The latest mentioned research also reveals it empirically that regulatory quality is also positively correlated attracting private

investment. In the same fashion, Sabry claimed that freedom of expression and accountability all together forming a democracy establishes more favorable business environment and encourages investments. It is hardly possible to deny that democracy does not have a positive role in way or another in order to achieve and sustain better business environment. However, Sabry could miss the point that it is a strong rule of law, no democracy having major positive influence on attracting investment and leading to success in PPP projects. For example, China is not a democracy in a contemporary context, yet it has strong rule of law administering in whole country. Moreover, China is promising example of a country which has been implementing successful PPP projects worth billions of USDs.

As per institutional factors, institutions which deal with investment, make current governments refrain from implementing privileges based on nepotism, and help to establish mutual trust. Bringing additional private sector investment to an economy of a country in one way or another means attracting private investment to infrastructure, as well, and in case of success this case is metaphorically contagious (Sabry 2015, p. 71). Testing results reveals distinct results on this study. There is not a strong correlation between PPP and investment growth. As Sabry (2015, p. 575) stated “That is to say, there is no evidence to support that private investment in PPP itself leads to successful infrastructural services that would induce more investment for the economy”. Although this may be true, interactive relation among PPP and various institutions have considerably important on the investment growth. Moreover, based on the testing results rule of law, regulatory quality, and bureaucratic quality facilitate more desirable results from private investment. Must be remembered that Sabry used World Bank’s (WB) World Development Indicators (WDI) which covered 1990 and 2011 and the article was published in 2015. That could be due to the fact that it could be the latest data at his service. However, the reason for no significant correlation between PPP and more investment for the economy could be different. It comes as no surprise that 2007-2008 financial crisis hit hard all the world economies and as of then until 2011 it was hardly possibly to recover. This indeed makes one fourth of the data. In addition, there were some other regional economic crises during 1990-2011.

Infrastructure expansion is well going with economic rise and the increase in urbanization. People’s Republic of China is a crystal-clear example of this statement. There is a huge mountain of investment behind PRC’s dramatic infrastructure increase. However, dramatic increase in infrastructure investment in Chinese case is not just about strong fiscal capacity. In the case of PRC, larger slice of budget revenues is directed to cover the expenses of state agencies or state

funded organizations including the salaries of civil servants and public servants. This basically means that there was not much left for infrastructure development, especially considering the ambitions of PRC.

Indeed, PCR has a long history of PPPs back in 1980s and there are different periods characterizing the popularity of PPPs. In the very first period, 1980s it was hardly possible for local authorities to develop infrastructure projects on scarce amount of taxes and fees, and even in 1990s laws, rules and regulations had not been set precisely which resulted with establishment of BOT (Build – Own – Operate) projects to be in ad-hoc way (Zhao et al., 2018, p. 168). In fact, one can list a tremendous amount of advantages of a PPP project, while acknowledging the potential risks and costs governments should bear in mind. However, what authors observed while looking at a Chinese PPP path is constructive for concerning countries. By adjusting the similar situational factors, it can be related that Azerbaijan, for instance, is also in need for infrastructure development within the framework of PCR, it can take many years to build and develop infrastructure systems in order to reach them the same level with the rest of the country on its own taxes, fees and profits from the State Oil Fund.

Establishing a partnership between public and private sector parties is one thing yet is not the whole story. There are risks being shared between public and private parties especially concerning the financing of a given project. Usually, agreement over payback mechanism is a real headache, as parties try hard to get the best deal out of a negotiation. Authors identified three varieties of payment schemes in the case of PRC. Government Pay scheme refers to a situation where government takes the major operating risk and becomes obliged to compensate private sector party, if agreed Rate of Return is not reached within the framework of project. Among PPPs in the PRC, Viability Gap Funding is the second most famous scheme covering nearly the same number of PPPs with Government Pay. Viability Gap Funding refers to a particular situation in which the government takes some portions of an operating risk and provides subsidies for private sector party in order to reach the desired Rate of Return. Thirdly, User Pay scheme is applied to the situation in which private party assumes the full operating risk and their Rate of Return prediction depends on it solely (Zhao, et al., 2018, p. 171).

Although authors missed relation between operating risk and share of payment schemes in all projects in the PRC, the context helps to find links easily. Reading payback mechanisms one by one illustrates that operating risk sharing differs among the three payback schemes. Basically, there is a complete operating risk on the shoulders of public party in Government Pay scheme and it

accounts for the 42 % of PPP projects in the PRC. Viability Gap has a nature of shared operating risk and accounts for 38 % of PPP projects. User Pay scheme puts all risks on private party and accounts for only 20 % of PPP projects. These mean that PPP projects are realized when there is the least operating risk on the shoulders of private party. What can governments consider as a best deal is what Chinese government did. Persuading private party to risk sharing, like Viability Gap Funding. Because that payback scheme divides operating risk sharing accounts for the reasonable amount of PPP projects in the PRC.

Despite all, there are still open questions concerning the effectiveness of PPPs as a tool to bring private party investment instead of public funding. In general, PPPs are complex and complicated process for a particular government considering need to reach agreement with private party. On the other hand, the source of social capital partners is important as well, who they really are. Surprisingly, as Zhao and et al (2018, p. 171-172) put it “Data from multiple sources indicate that more than half of partners are actually state-own companies, which may account for more than 75 % of ‘social capital’ that has been raised through PPP”. The next concern is about operating risk sharing, as was mentioned before. It is government assuming the full or partial financial operating risk in PPPs. Consequently, if more than half private partners are state own entities, it means that Chinese government increased shares of Viability Gap Funding and User pay schemes mainly on the accounts of state own entities where they have political power to impose. Therefore, for other countries these factors should be taken into consideration, as not all have such supplementary tools. Despite all, Zhao et al (2018, p. 172) state that “Our analysis shows that the use of alternative infrastructure finance has contributed significantly to the unprecedented boom of infrastructure development in China”.

There are many successful examples of PPPs all around the world, in the developed countries and in the developing countries. PPPs are not necessarily just for PCRD, it is a usual experience in stable countries, yet the significance of PPPs are higher for countries going through tough PCRD. Considering the fact that in the contemporary world inter-state and intra-state wars that left behind PCRD obligations happen in developing world, it would be better to look at example of countries with such nature. When emphasizing the effectiveness of PPPs, Lexxion Verlagsgesellschaft mbH (2010, p. 126) gives examples of Mozambique, a developing post-civil war country back then and South Africa, a developing post-apartheid country back then, which had a common objective to establish Maputo Development Corridor between themselves in order to boost the mobility and trade, and achieve regional economic growth at large. In this regard, they agreed with private party

to construct N4 toll road while retaining the ownership to private party for 30 years as part of PPP. As Lexxion Verlagsgesellschaft mbH (2010, p. 126) puts it “In Mozambique it brought about investments such as the Mozal Aluminium Smelter and the Natural Gas plants at Pande and Temane. In South Africa, it brought about tourism and also stability and peace to the region”. Interestingly, the author not only emphasized the direct success of N4 toll road project, but also, he could link the success of PPP with its indirect positive influence. However, the author’s article lacks the capacity of in-depth analysis of given PPP and critical approach to the initiatives.

PPPs have evolved and developed a lot under different constraints, since 1980s. For countries which have comparatively less PPP concept applied or inactive in PPPs should not really take the same steps for many years in subsequent order of other countries where understanding of a PPP concept is well-developed and complex. Basically, that is due to the fact that a country should examine best-practices, look at paths had already been taken and adapt its own country to the new and modern realities based on systematic adaptation process in order not to fail process.

Sustainability is an important factor in urbanization for a better future. Once again, China is mentioned for the reason of rapid urbanization in the last two decades. One thing for sure, debt-based and land-based financing for projects to meet requirements of sustainable urbanization in China are not sustainable, at all. Thus, the solution is a PPP concept, but under which specificities do matter. For instance, a theoretical model was divided into three versions, and they are PPP 1.0., PPP 2.0. and PPP 3.0. (Xiong et al, 2020, p. 4). Here, PPP 1.0. is finance oriented PPP version in which public party desires the availability of private investment, while private party seeks project profits in the shortest time. When it comes to PPP 2.0., it is basically an efficiency-oriented PPP version. The last, but not the least, PPP 3.0. is the latest version with its direct focus on sustainable development. As Xiong et al (2020, p. 7) put it “... China’s PPPs failed to finance underdeveloped areas where the need for IPSs is greater. The solution relies on an upgrade from PPP 1.0 to 3.0.”. Back in 2015, Ministry of Finance of China brought regulation that maximum debt liability of PPP projects in any given local government cannot be more than 10 % of its annual budget. Thanks to precise analysis of authors, it can be understood that such set limit for all local governments is unjust towards underdeveloped ones due to their yearly budget differences. Therefore, shifting from PPP 1.0. to PPP 3.0 changes the point of view from controlling public debt to achieving public demand for sustainable future which focuses on people first.

Regardless of initiative type dedicated to the development in country, a legal basis, especially a comprehensive one is must. Legal basis sets down a prerequisite for contracts concerning PPPs, as

well. Contracts are agreed and signed with respect to the overall legal system of a country and PPP legal framework. In this regard, countries are expected to make the first step, as it is in their best interest and they are the ones who can exercise jurisdiction thanks to their sovereignty. That first step is the legal framework of PPP which assures or does not assure private sector interested in partnership with public sector. Consequently, a legal framework of PPP helps private sector to understand which projects constitutes for PPP, which PPP models are well-established in that country, whether an existing infrastructure can be considered as PPP or not and etc.

Meanwhile, it is usually believed that a comprehensive PPP legal framework helps to bring private sector investment in infrastructure construction projects. However, with respect to influence of a comprehensive PPP legal framework there has been less done by implementing empirical examination. In this sense, Albalate et al (2020) provided a comprehensive empirical examination which fulfilled the existing empirical gap. Their study not only focused on the evaluation of a comprehensive PPP legal framework on private sector PPP investment, but also it tried to understand the importance level of a particular comprehensive PPP legal provisions for facilitating private sector investment. In this research, they used PPP act and PPP Index as their dependent variables. By PPP Index they meant PPP favorability index which stands for thirteen provisions of each state's (states of the United States of America) PPP legal framework. Albalate et al (2020, p. 54-55) put that "... that higher index values are associated with higher percentages of PPP investment. A unit increase in index produces a change in percentage of .0011. This represents a third of average percentage of PPP investment in our sample, suggesting economic significance". In addition, authors made also reservation with respect to provisions and that added value to their precision, simply because they could ignore provisions which had only modest relation to passing PPP laws.

On the other hand, this empirical study made points regarding to the role of pressure groups, in other words freedom of expression and accountability. As opposed to Sabry (2009) Albalate et al (2020, p. 53) found out that political ideology was not significant. However, one should also understand that Albalate et al (2020) considered the U.S. context, Democrats and Republicans in the governance of states, and found out insignificance under this circumstance as well. Moreover, Albalate et al (2020) estimated that laws under a comprehensive PPP legal framework facilitated grounds for bringing private investment to transportation projects. The last, but not the least, there was also positive relation between comprehensive PPP laws and yearly PPP projects got to

financial close (Albalade et al, 2020, p. 66). However, their research did not specify the legal directions that states might follow in order to develop a comprehensive PPP law.

PPPs as part of certain legal system do matter as well. In his article Cazalet (2014) focuses on the evolution of PPP as a concept within the boundaries of common law and also compares with civil law. The United Kingdom can be considered the mecca of PPPs in the world. However, a comprehensive legal framework for PPPs does not exist in the UK, rather there are distinct parts of legislation concerning PPPs. In addition to separate legislative pieces, there is a comprehensive document formulated by Her Majesty's Treasury. As Cazalet (2014, p. 274) emphasizes "Such an informal approach has proved to be very efficient for PPP in the United Kingdom and in some other developed common law countries, such as Ireland and Australia, but could not be adopted to the civil law legal system". The author makes a clear distinction with respect to the nature of legal systems. In fact, many civil law states have been adopting specific and comprehensive PPP laws. That is possibly due to the fact that the level of law interpretation and elasticity differ in these two legal systems. Surprisingly, some of the common law countries, such as Ghana and Tanzania, adopted comprehensive PPP laws (Cazalet, 2014, p. 274). Although, the author does not point out the anticipated reasons, it can be argued that lack of transparency and rule of law in some other common law countries make executive and legislative branches to implement comprehensive PPP laws for better control.

In the western countries dominating PPP concept, such as the United Kingdom and France with two different legal systems, there is a tendency towards PFI. This type of PPP refers to private sector building and servicing the given facility and not directly addressing to citizens. Here, government pays for the rental to the concessionaire over the life of a contract, and also uses the maintenance and other services of private sector. Therefore, different than traditional PPP models PFI is characterized by non-delegation of the public service. In addition, Cazalet (2014, p. 280) strongly believes that "This makes a big difference for civil law lawyers but common law lawyers seem to have some difficulty in understanding the specific concerns with this type of PPP". In this regard, the author wants to deliver the idea that PFI is just one of the models of PPP with certain distinct nature from Built-Own-Operate model.

Kang et al.'s (2018) study is of particular interest in the evaluation of PPPs. The authors employed the definition provided by Forrer et al. (2010) where PPPs are distinguished from other arrangements by the involvement of the private sector in the decision-making process and the distribution of risks between the public and private sectors. Furthermore, Kang et al. used Yang et

al.'s (2013) framework to examine determinants of the success of the PPP projects in developing countries. The study results demonstrate that increasing government credibility, imposing appropriate rules and regulations, and thus forming a conducive market environment that would encourage private organizations to take part in the government-initiated projects are necessary factors that influence the success of PPP projects (Kang et al., 2018, p. 342, 347). Consequently, the government should gain the trust of the private actors by ensuring a favorable working environment. Moreover, the authors emphasize that effective management practices including establishing accurate contracts that regulate and coordinate partnership and communication between the parties, cooperative leadership that promotes relations based on mutual respect and the distribution of benefits between partners are also crucial elements for the successful implementation of PPP projects (Kang et al., 2018, p. 347-348). This study contributes to the overall literature on PPPs by mainly focusing on the establishment of the trust between the public and private sectors that is conducive to the success of PPPs. However, the study entails some limitations. The major drawback of this research is its empirical emphasis on the PPP projects that deliver direct financial benefits for the private sector which is a significant inducement for their participation. The research study based on the cases that do not entail immediate financial inducements might deliver different outcomes.

Jamali's (2004) study evaluates the PPP project in the telecommunications sector of Lebanon and derives conclusions on factors that enhance the feasibility and efficiency of PPPs in developing countries. The most basic inference of the study is that transparency, trust, and fairness comprise a foundational basis for the success of a PPP project. A partnership between public and private sectors should be perceived by both parties as an opportunity for mutual benefit and the accomplishment of common goals. In that sense, alleviating structural differences, encouraging communication and coordination between the parties, and representing the needs and objectives of both sides are necessary factors that influence the successful implementation of PPP projects (Jamali, 2004, p. 427). Robust political structure and guidance over the project implementation are also mentioned as strong factors that influence the effectiveness of PPPs. Furthermore, developing states should establish regulatory mechanisms in order to promote the effective involvement of private stakeholders in government-led projects (Jamali, 2004, p. 419). Jamali (2004, p. 427) identifies unequal capabilities (mainly due to poor representation of the public sector), inadequately established contracts, and insufficient contribution of expertise as important factors leading to the

failure of PPP projects. Despite the fact that this study has a lot of robust qualities, it lacks a substantial empirical basis for the validity of its arguments.

Yurdakul and Kamasak (2020) discuss various success determinants in the implementation of PPP projects by analyzing numerous PPP cases in transportation, water industries, and other areas of public service. The authors argue that although PPPs generate a lot of benefits like addressing financial challenges emanating from the costly infrastructure projects, increasing the quality of public service, and enhancing the overall efficiency of processes by using the expertise of the private sector, the successful implementation of PPP depends on different factors. Based on the analysis of the world experience, the authors argue that factors such as political setting, institutional quality, legal and regulatory mechanisms, smart design of risk-sharing, and accuracy of demand forecasts can influence the success of PPP projects. Smart contract design affects the successful implementation of PPP since well-formulated strong contracts force public and private actors to undertake their obligations as was agreed before the operation (Yurdakul & Kamasak, 2020, p. 229). There have been cases in world experience when policymakers changed their decisions regarding taxation after the implementation phase had already started. Despite the agreement on tax exemption at the initial phase of the project, this decision might be lately changed by the government at the final stages of the project. This would put additional costs on private stakeholders that cannot reverse their investment at this stage of the project (Yurdakul & Kamasak, 2020, p. 229). Thus, the significance of the public sector's commitment to contracts is especially stressed by the authors for the stability and successful realization of the PPP. Furthermore, the authors emphasized the importance of an adequate demand risk-sharing between stakeholders as a necessary aspect of successful PPP projects. Without a properly formed risk-return balance, long-term PPP projects will not be an attractive option for qualified investors (Yurdakul & Kamasak, 2020, p. 230). Countries with well-established institutional structures are more attractive to private stakeholders since this factor determines the scope of trustworthiness of policymakers and the nature of the decision-making process (Yurdakul & Kamasak, 2020, p. 230). This article places emphasis on world experience and discusses factors that led to the success or failure of PPP projects in different countries. It definitely enriches the overall literature on critical determinants of the success of PPP. However, this article lacks a vigorous analysis of each case to support the arguments proposed by the authors.

3. Methodology

This chapter of the thesis is dedicated to clarifying the existing research design and also explain the particular case selection. Furthermore, it will be followed by selection of the data collection methods, the data sampling procedure, and the selection of interviewees within the scope of this thesis.

3.1 Research design

The research study examines the role of Public-Private Partnership in Post-Conflict Reconstruction and Development based on a single case study of Azerbaijan's reconstruction in liberated territories. To put it simple, a research design is a line with three points designed to be in logical order where empirical data is linked to research questions of a research, and eventually, to the conclusion of a research. There is no one universal formula to exactly acknowledge the precise need for a case study, yet definitely there is a relation between research question or questions and application of a case study. For example, when research questions are formulated to explain certain contemporary phenomenon by including words, such as why and how, implementation of a case study becomes more appropriate (Yin, 2018).

A case study design pair can be a single case study and multiple case study. A single case study concentrates on one person, event, country etc., while multiple case study simply concentrates on two or more cases of people, events, countries etc. In this thesis, by single case study it is meant to refer to single-country case study. When it comes to its meaning, a single-country case study stands for a study in which collected empirical data comes uniquely from a single country. Deep study of a particular country can facilitate generation of theoretical insights with comparative inferences, and this becomes a reason to be an attractive challenge for comparative politics thanks to the nature of single case study (Pepinsky, p. 188, 2019).

A single case study enables robust examination of a specified issue and allows to comprehend necessary subtleties and entanglements of a studied phenomenon more efficiently than other research designs. Furthermore, a single country-case study enables to understand a single country, phenomenon for certain duration or as of certain time by a considerably comprehensive data collection process accumulated from various sources (Landman, 2008, p. 92). Therefore, the author considers that a single case study, in other words single country-case study is an optimal choice for this thesis and increases chances of a quality work.

The current case of Azerbaijan and PPP was chosen in this thesis due to the fact that it is closely related to the recent developments and its consequences highly probably are expected to impact Azerbaijan's economy, fiscal policy, policy reforms and economic development in particular. The First Nagorno Karabakh War with Armenia in early 1990s and nearly 26 years' long Armenian occupation afterwards left behind devastating socio-economic consequences for former Nagorno Karabakh Autonomous Oblast and 7 adjacent districts, in other words for today's Karabakh and Eastern Zangazur economic districts. The research study explores socio-economic development priority of Azerbaijan for the liberated territories from Armenian occupation within the framework of PPP concept as defined in Azerbaijan 2030: National Priorities for Socio Economic Development strategy paper. The study of this given case demands a detailed analysis of Azerbaijan's PPP environment before the war and after the war, present time to understand attitude towards PPP as a tool for infrastructure development in the country, especially in the liberated territories. Equally important, a detailed analysis of PPP concept in Azerbaijan and its potential significance are required to present a horizon and direction for promising added value to PCRDR by acknowledging the current context. Furthermore, this thesis will help to provide relevant understanding about PPP in Azerbaijan in detail, and it will help to fulfill the research gap. There are only few studies about the PPP in Azerbaijan and no any observable research about the role of PPP in the context PCRDR in Azerbaijan.

To put it in a nutshell, the research questions of this thesis are "Why Public-Private Partnerships (PPPs) is a significant tool to achieve effective and efficient Post-Conflict Reconstruction and Development?" and "What is the current status of PPP in Azerbaijan with respect to government agenda and PPP concept in general?"

3.2 Research methods and data collection

Major research methods can be quantitative and qualitative. It is possible to apply them distinctively or both at the same time depending on the research study. In simple terms, quantitative research includes different numbers, figures, graphs in order to test and either confirm or reject theories or assumptions. Meanwhile, qualitative research employs words rather than numbers in order to understand concepts, views depending on the qualitative research methods. Quantitative and qualitative research can be differentiated for their research approach as well. Because of that deductive strategy is linked with quantitative research, while inductive strategy is linked with qualitative research (Bryman, p. 27, 2012). In this thesis, the author will apply qualitative research

methods to understand and analyze PPP concept, views on PPP status in Azerbaijan by different stakeholders and experience of interviewees.

The concentration of this thesis is to examine significance of PPP concept and its probable role in the PCRD policy of Azerbaijan after the Second Nagorno Karabakh War. In order to make proper evaluations about the current status of PPP in country and future prospects, the author initiated communication with professionals enjoying various backgrounds to have diverse views. Initially, the author tried to focus on PPP experts in Azerbaijan who can understand and share knowledge based on local realities. However, the author faced with an initial limitation. Unfortunately, there are not many professionals who are specialized in PPP concept. In the initial phase, the author used to consider the sample of interviewees including only high-level professionals. The author initiated communication via e-mails with some high level professionals from different fields. However, excluding one case no reaction was received in this regard due to unknown reasons. This issue became a limitation before research process jeopardizing initial plan. The names and organizations of invited high level interviewees are not level here for ethical reasons. Therefore, it is planned to hold four interviews with agreed professionals in the field. The interviewees will be three mid-level and one high level professionals in their respective occupations. Three interviewees are from Azerbaijan and one from Kyrgyz Republic. High level interviewee works at the think tank, while other Azerbaijani interviewees work at the public agencies within the scope of possible PPP projects, healthcare and road infrastructure. The international interviewee works at the Public-Private Partnership Agency in his country. One of the interviewees did not give his consent to be mentioned openly. Considering ethical framework, his or her name was written as Participant A throughout the study.

Diverse sample of professionals in terms of their background is vital strategy for precise knowledge in this thesis. The author came to the conclusion to be in an interaction with professionals working in policy design and in the fields. With this in mind, individuals regarded as professionals are from think tank and public sector. A view from think tank helps to understand complete context academic view and policy design perspectives. Other individuals from public sector facilitates the author to acknowledge positions derived from the experience on the ground.

Considering the scope and complexity of this thesis, an interview is a significant research method and in particular the expert interview is highly compatible with thesis on the plate. Some might argue that even in the social sciences researchers should follow those in the natural sciences in

terms of research methods, but they probably ignore one, but an important difference. As Bertaux (as cited in Seidman, p. 8, 2066) “The subjects of inquiry in the social sciences can talk and think. Unlike a planet, or a chemical, or a lever, “If given a chance to talk freely, people appear to know a lot about what is going on”.

Primary and secondary sources will be employed during this research. Qualitative research methods in this study will be in-depth interviews with experts in the field and the study of relevant academic journal articles, newspapers, and books.

The purposive sampling technique was utilized since the author intentionally chose experts working in think tanks or universities. The author will employ open-ended questions during interviews. This will allow to develop a comprehensive discussion with the experts and accumulate wide-ranging data based on the views of the experts. Further follow-up questions were also asked during interviews with the purpose of achieving a more complete understanding of experts’ views on the given matter, although there were questions formulated beforehand. There was just an exception in the case of international expert. He was provided by list of the open ended questions and he replied back by giving verbal answers.

Design of interviewing process is also part of larger research design and plays a significant role for data generation. The author has decided to focus on open-ended questions to generate more data by providing a space for interviewee to express himself or herself freely. As (Seidman, p. 15, 2006) put it “Their major task is to build upon and explore their participants’ responses to those questions. The goal is to have the participant to construct his or her experience within the topic under study”. Application of open-ended questions help the interviewee to organize his or her answer in terms of his or her approach, provide additional insights that previously was out of consideration and, eventually, this flexibility raises the validity of gathered data. Despite to the fact that interview questions had had already been formulated in advance, the author observed a need for follow-up questions during the interview to accumulate more valuable information from the interviewees.

In addition to in-depth interviews with experts, the author also considered secondary sources as a valuable information base. During the study various report of the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD) were used. Additional limitation before thesis was observed here as well. In few, yet important cases, the reports were not up to date. Here up to date refers to 2022 or a year ago. However, this is also understandable. Sometimes,

reports of the EBRD and the ADB are issued periodically and periods are approximately 5-6 years. This practice is done in assessment reports in order to give some years for countries to develop their ranking and, eventually, authors enjoy better opportunity for comparison between different assessment reports. In addition, news media outlets, magazines, official governmental papers, legislations, books provided useful information for further contextual understand and analysis for the author.

4. Analysis and findings

4.1 PPP in the world

In times of Marxism was preferred as an economic ideology, some states tried to establish anti-Marxist economic thought. Later on, public sector under influence of Keynesian school took exceeding amount of expenditures on its responsibility, and it eventually failed to execute. Just to recall Keynesian school thoughts, it was argued that government expenditures had to increase, while the imposed taxes had to be decreased in order to encourage the demand. At the same time, increased number of infrastructure problems after the massive destruction left behind by the II World War, made states to look for different ways of solution. As a result of this, many states begun to hurry up to find ways for financing infrastructure projects and reducing budget expenditures. Difficulties of public sector with such nature increased, since 1970s, and private sector which had never involved in financing or operating public infrastructure projects entered into ecosystem. As Shleifer (1998, p. 4) put it “In the last 20 years, governments in market economies throughout the world have privatized the very state firms in steel, energy, telecommunications and financial services that the Nobel laureates approvingly saw nationalized a few decades earlier”. Initially, private sector participation was in a form of outsourcing.

Then, this tendency moved towards privatization. In fact, privatization itself is one way or another a reflection of public-private partnership. The fall of the Soviet Union resulted with newly independent states. It led to a desire to transform their economies gradually to market economy principles. Developed states observed the aftereffects of privatization. Privatization has a possibility to become dramatically corrupt phenomena, in which public assets are given to the elite for nearly nothing considering their real value (Williamson, 2008, p. 17). Therefore, developed countries by refraining from privatization and later on its aftereffects, supported existence of foreign private sector in different form in other countries. However, among developed countries

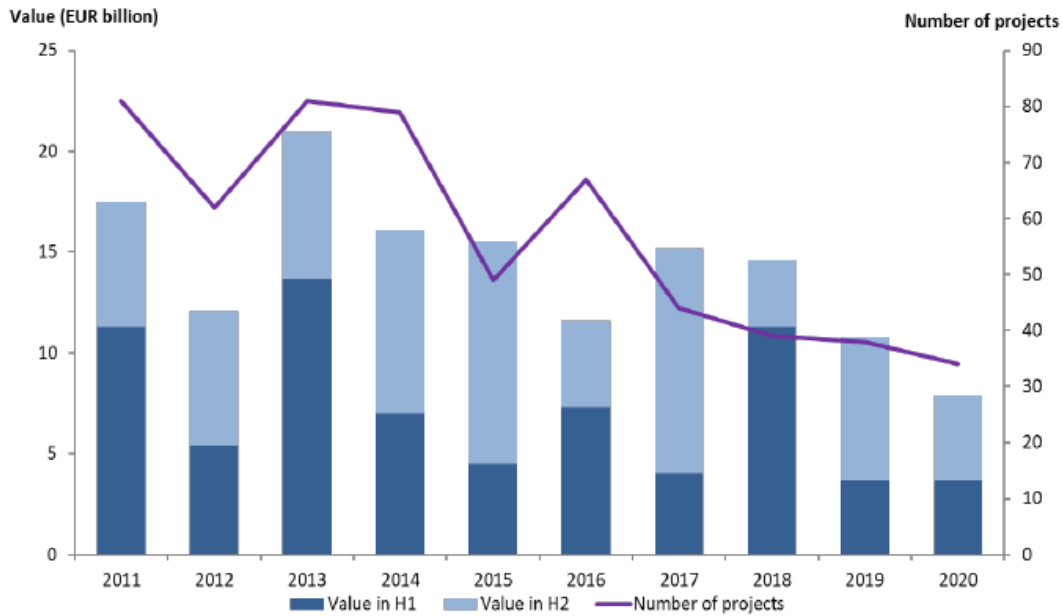
themselves, the United Kingdom has become a champion of PPP by its initial Private Financing Initiative, while the United States has become hesitant about PPP for already decades.

The United Kingdom is definitely among the first PPP practitioners and champions in the contemporary context. The historical roots of PPP model in the UK, which is in force since 1992, dates to Margaret Thatcher who employed neoliberal policies in the UK successfully in 1980s. In fact, what is widely known as Private Finance Initiative (PFI) is the translation of PPP to the UK context (Public-Private Infrastructure Advisory Facility [PPIAF], 2009, p. 36). The financial sources of this model are capital investment and debt. Usually, upon readiness of investment made infrastructure for the service of taxpayers, private party is paid for 25-30 years as shown in the agreement (Unalan, 2020, p. 458). After years' long application of PFI, the UK made a transition to what was known as Private Finance 2 (PF2) in December of 2012. Basically, PF2 was a completely new approach towards PPPs, and yet at the same time it took its roots from PFI while realizing the reforms. Surprisingly, the UK government announced that it will not administer PF2 model any more effective immediately from 28 November 2018 (GOV.UK, 2018).

Apart from the UK government's PF2 model give up, probably the most significant phenomena in Europe, especially with respect to the continental Europe was a tendency towards reinforced investment scoring classification so as to vary the group of investors over banks, and also to draw establishment investors (Ernst & Young [E&Y], 2015, p. 3). According to the latest regional data, the aggregate value of all PPP deals which got to financial close in this region was equal to 7,9 billion euros in value, which was approximately 27 % less than the aggregate value of PPPs with same status in 2019 (Figure 1, 2) (European PPP Expertise Centre [EPPPEC], 2021, p. 1). Obviously, the decrease should be understandable considering the fact that 2020 was tough year not only from the perspective of economy, but also other spheres. COVID-19 paralyzed the whole world by making governments, institutions and other stakeholders to halt their operations. It is highly possible that rehabilitation of figures will be observed in the next review of the European PPP market. In this regard, Imad Fakhoury, the World Bank's Global Director for Infrastructure Finance, PPPs & Guarantees (World Bank, 2022). announced that "The rebound of private sector investment commitments in infrastructure is a positive sign that the recovery from COVID19 had begun in 2021.

Figure 1

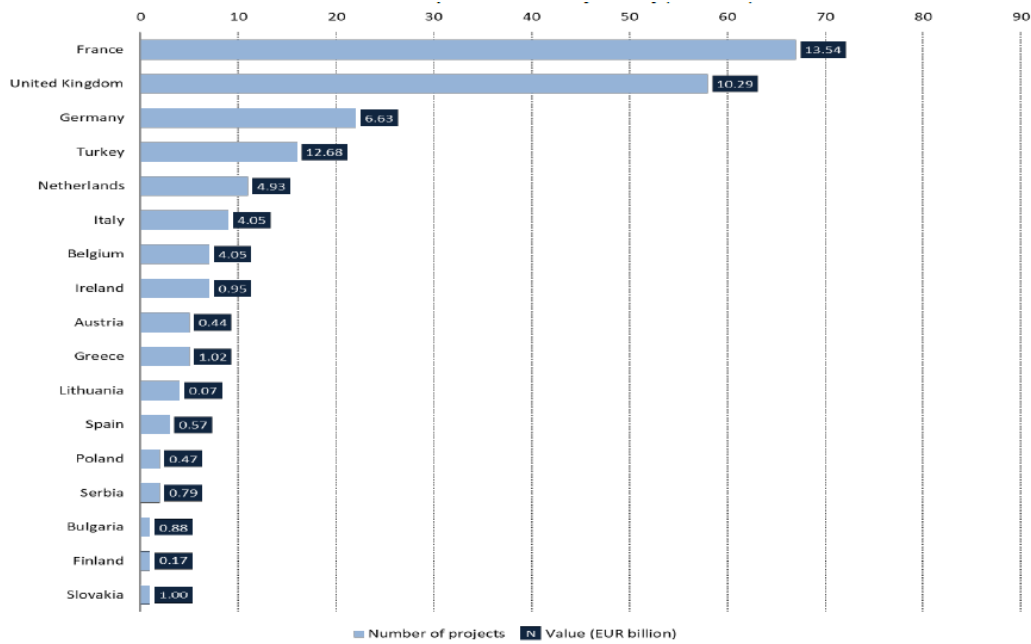
10 year view of the European PPP market by value and number of projects (2011-2020)



Source: European PPP Expertise Centre. (2021). Review of the European PPP market in 2020.

Figure 2

Evolution of the European PPP market by country (2016-2020)



Source: European PPP Expertise Centre. (2021). Review of the European PPP market in 2020.

Based on the expectations Asia will have been among the most popular and massive markets for infrastructure development by the year of 2025 due to the fact that countries have recourse to PPP so as to be in line with speedy growth (E&Y, 2015, p.3). Asia is a home of both, developed and developing countries. Furthermore, developing countries are also categorized in three groups based on the number of accomplished PPP projects (Table 1). In the first group which is characterized by PPP mature countries, only India and the People’s Republic of China are included. Just these two countries realized 1052 projects in total were worth of respectively 314 billion US dollars and 139 billion US dollars during 1990-2016 (ADB, as cited in Endo et al., 2021, p. 3). As per the status of PPP in country, they are called as PPP has “taken off”. The following group of countries are regarded as “intermediate PPP application countries”, which are considered in the middle, yet a lot of problems exist in their PPP environment. Despite they can seem like ones possessing PPP has “taken off”, in fact they have not past developing step of PPP yet. The last decade in the region was observed with increasing assistance of development institutions. As Endo et al. (2021, p. 4) put it “Development institutions have provided assistance both to developing countries and the private sector. They have supported developing country governments with diagnosis and recommendations regarding the preferable environment for PPPs to mobilize private funds, such as through ADB PPP Monitor, ...”.

Table 1

Public-Private Partnership projects that have reached final close in selected developing Asian countries, 1990 – 2016

Country	Number of Projects	Total Amount of Projects (\$ billion)
<i>Group I: PPP mature countries</i>		
India	861	314
People’s Republic of China	1,052	139
<i>Group II: Intermediate PPP application countries</i>		
Indonesia	120	18.6
Philippines	119	56.9
Thailand	150	38.8
Viet Nam	84	16.2
<i>Group III: PPP less-developed countries</i>		
Cambodia	25	3.1
Myanmar	6	1.5

PPP = public–private partnership.

Note: Data for Cambodia and Myanmar are based on the World Bank’s Private Participation in Infrastructure (PPI) database, since ADB (2017) does not include the information.

Source: Prepared using ADB (2017) and World Bank’s PPI database.

Source: Endo, K., & Ram, K. S. (2021). Public-Private Partnerships in developing Asian countries: Practical suggestions for future development assistance. Asian Development Bank Institute.

From the perspective of grouping region countries, apart from the PRC and India which are developing countries, PPP model is well-established in Singapore, Japan and South Korea, which are the developed countries, and they can definitely be categorized in the first group thanks to their PPP maturity. On the negative notes, most of the countries in the Southeast and Central Asia possess slightly immature PPP. As Zen (2018, p. 3) notes “Strong calls for PPP have been promoted, especially in Indonesia, Malaysia, the Philippines, Thailand, and Viet Nam. However, public sector commitment for PPP and the realization of planned PPP projects are not always in the same path with the ambitious calls”.

4.2 Private Participation in Infrastructure: Low and middle-income countries

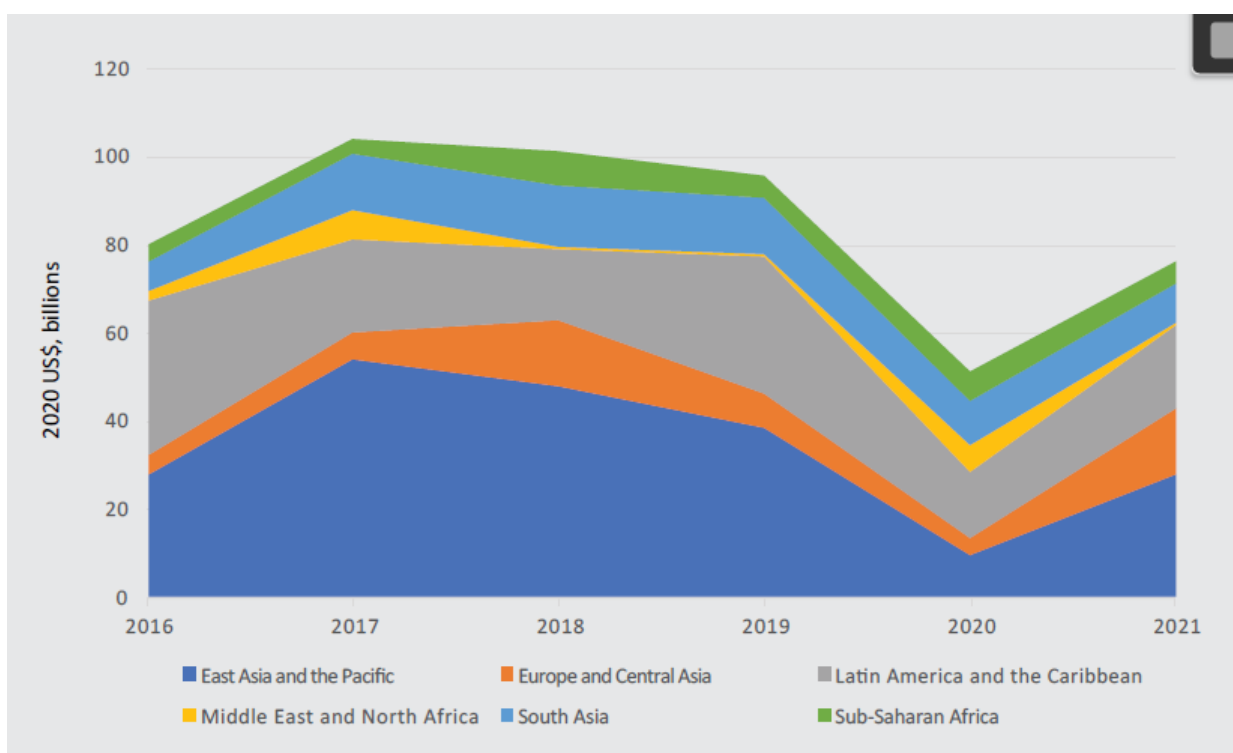
Low and middle-income countries have potential for large-scale infrastructure development. They are hungry for infrastructure development in order to add value to their internal economic activities. Private participation is one possible way to encourage movement in infrastructure development. COVID – 19 hit hard economies, it did so not only in developing countries, but also in developed countries. This means two things. Firstly, countries seek for quick economic recovery in both economic categories but developing countries; low and middle-income countries are more fragile to economic shocks. Secondly, private participation in infrastructure covers both local and foreign private sector actors. Therefore, economic hit of COVID – 19 felt one way or another in all countries in 2020. Fortunately, economic recovery was observed in general, but there were differences among regions, especially in the second half of 2021.

Economic hit never excludes infrastructure development regardless of being in developed or developing country. On the contrary, economic recovery definitely varies in developed and developing countries, even within the category of developing countries based on the regional differentiation. Because of this reason Private Participation in Infrastructure was stronger in three regions, than others. These regions are known as East Asia and Pacific (EAP), Latin America and the Caribbean (LAC), and Europe and Central Asia. Meanwhile, GDP was another indicator reflected activities in the regions. Europe and Central Asia (ECA) experienced the highest PPI among the regions with 0,47 % of the regional GDP. ECA region was accompanied by LAC with its 0,46 % of the regional GDP (Figure 5). The ranking is followed by Sub-Saharan Africa and

South Asia, respectively with 0,31 % and 0,26 %. In some cases, shares can mislead readers if not properly understood. With this in mind, East Asia and Pacific (EAP) scored the lowest figure which was 0,16 %. In spite of that, one should keep in mind that China had approximately 15 trillion worth of significant GDP (World Bank, 2022). In addition, a decreasing tendency in the number of investment commitments with private participation in International Development Association (IDA) countries (Figure 6).

Figure 3

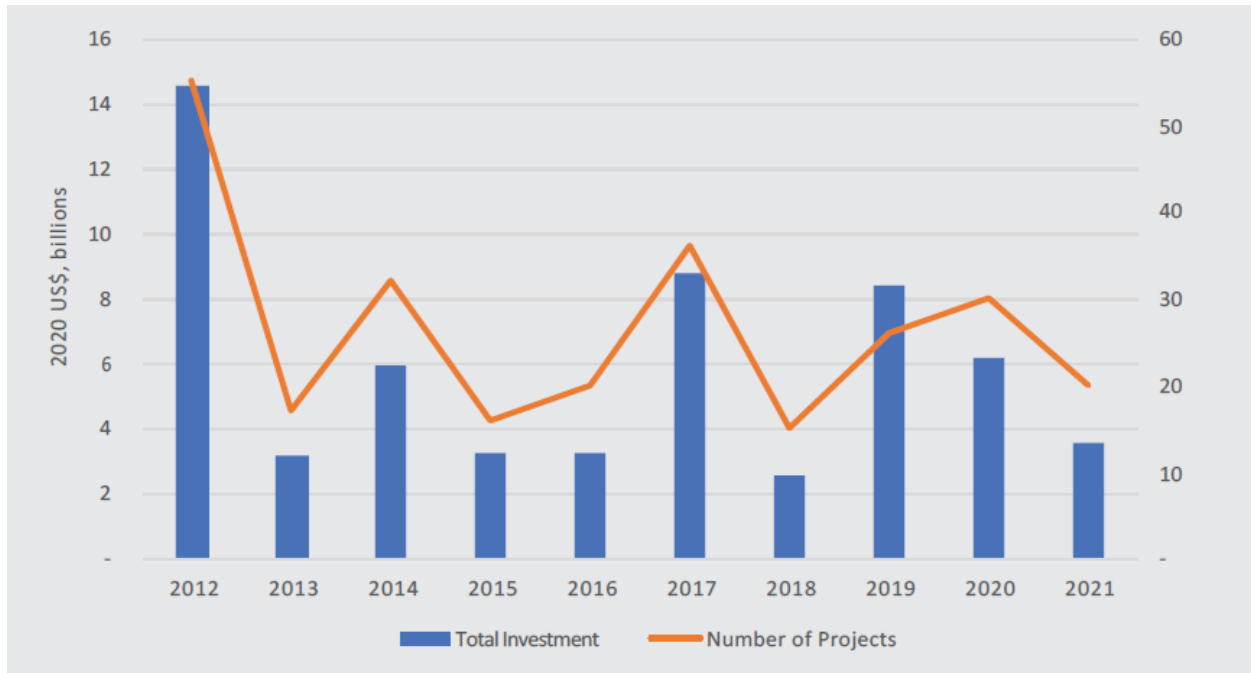
Regional share of investment commitments in infrastructure projects with private participation in Low- and Middle-Income Countries, 2016-2021



Source: World Bank. (2022). *Private participation in infrastructure 2021 annual report*.

Figure 4

Investment commitments in infrastructure projects with private participation in IDA countries, 2012 – 2021.



Source: World Bank. (2022). Private participation in infrastructure 2021 annual report.

In the Private Participation in Infrastructure 2021 Annual Report, a special paragraph was devoted to Uzbekistan for its PPP and PPI attraction. Just in 2021, the country could receive 2,2 billion US dollars' worth PPI commitments, yet all these commitments were in energy sector. As World Bank (2022, p. 11) emphasized “It is expected that the strong PPI performance in the country will likely continue because Uzbekistan has implemented an ambitious public-private partnership program that included passing a public-private partnership (PPP) law, creating a dedicated PPP agency, and requiring line agencies to actively promote PPPs for key projects”.

Uzbekistan, a developing country now desires to implement PPP projects in country by preparing fruitful PPP environment as part of the private sector liberalization after Shavkat Mirzoyev to the power. As economic recovery varies from developed country to developing country (even within them), so does the implementation of PPP. Consequently, PPP does not have one answer to all questions. Erdenet Kasymov is the Senior expert of the PPP Center of Kyrgyz Republic Administration. When asked about whether there are specific issues which may be different in

developed and developing countries, Kasymov (personal communication, May 10, 2022) stated that practice shows that for the successful implementation of the public-private partnership initiative, first of all, it is necessary to expand the awareness of all parties and the interest of the state and the business community in obtaining benefits. Unfortunately, this process is more difficult in developing countries, than in developed countries.

This is an interesting analogy indeed. It means that awareness should be established on the side of public and private sectors. Lack of awareness in public sector is also translated into the need for reformist technocrats to dig in seeds to the entire public sector for awareness. Beyond that, country specific realities do also shape this distinction. For example, while thinking about implementation of specific PPP models or PPP in general, we can look at different indicators. For example, it can be CPI to understand the perception of corruption in a given country, or it can be Dutch psychologist Hofstede's Power Distance Index (PDI) to acknowledge country specific characteristics of individuals. While commenting further on the developed and developing countries, Kasymov (personal communication, May 10, 2022) gave the following remarks:

“There is no uniform approach to the regulation of public-private partnership in the world. Let us dwell on the examples of several foreign countries. According to international experts, all countries using public-private partnerships can be divided into three groups:

- The first group includes countries that have created the political and legal environment necessary for the implementation of public-private partnership projects, but do not yet have a stable and orderly practice of project management (these include countries such as China, Russia, Hungary, Slovakia).
- The second group will unite countries that have created, in addition to a favorable political and legal environment, a system of public management of public-private partnership projects, established standard and uniform processes and procedures, and have developed and are constantly building up practice in the field of public-private partnership (for example, Japan, Germany, Spain, Italy, Portugal, France).
- The third group consists of countries with a solid portfolio of successfully completed and ongoing public-private partnership projects, broad access to project financing and well-trained professionals in the field (for instance, the UK and Australia)”.

Countries are like individuals; the main difference is a quantity of them. While number of countries are expressed by tens, number of individuals on the Earth are expressed by billions. Billions of individuals mean billions of unique characteristics due to their internal personalities, religions, ethnicities, economic development, education, political views, perception of the world and etc. Although it is the way too hard to make a precise generalization, even billions of people are generalized under 16 personality types. The same applies to countries. Despite to the fact that they have distinct characteristics, generalizations can be made for anticipating certain scenarios by considering relevant indicators. Therefore, it would be constructive to understand current PPP environment in Kyrgyz Republic, a developing Central Asian country with post-soviet background. In the same fashion, Azerbaijan is also a developing country with post-soviet background, yet both countries are not totally same for sure.

When asked about the current PPP environment in Kyrgyz Republic, Kasymov (personal communication, May 10, 2022) expressed that his country has been experiencing an “infrastructural deficit” for many years, expressed in the deplorable state of roads, hospitals, schools, kindergartens, office buildings, energy, water and heat supply systems and other infrastructure facilities. One of the indicators of infrastructure quality is the Global Competitiveness Index of countries. Overall ranking of country is 96th place. Thus, among the countries of the world, Kyrgyz Republic ranks 74th in terms of the degree of macroeconomic stability. Moreover, in terms of infrastructure, Kyrgyz Republic ranks 103rd with respect to the quality of infrastructure in general, 129th with respect to the quality of transport infrastructure, 115th with respect to the quality of electricity supply, and 95th with respect to the number of customers in fixed-broadband Internet subscriptions. The low quality of infrastructure, in turn, places a heavy burden on society, expressed in its low productivity and competitiveness, and the low quality of life of the population.

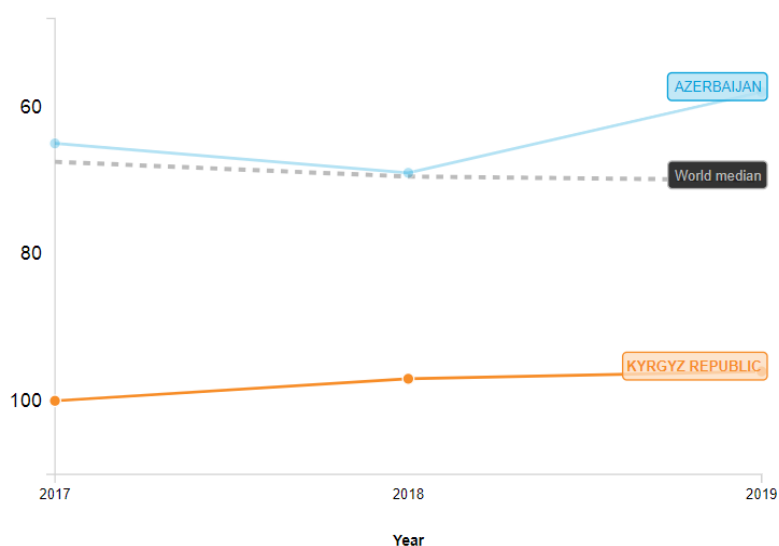
Today, the state budget cannot cope with the task of timely and full financing of infrastructure facilities. Private investment in infrastructure facilities attracted on the basis of PPP can be a significant help to the state. Given the critical state of infrastructure and the inability of the state budget to finance, it is considered a vital necessity for the development of PPP in Kyrgyz Republic. On the other hand, the very same indicators rank Azerbaijan in completely different place in comparison to Kyrgyz Republic. According to the Global Competition Index 4.0 of the World Economic Forum (2019, pp. 75-76), Azerbaijan ranks in the 58th place based on calculations of all indicators. Comparing with the same indicators of Kyrgyz Republic, it appears that among the

countries of the world, Azerbaijan ranks 103rd in terms of the degree of macroeconomic stability. Moreover, in terms of infrastructure, Azerbaijan excellently ranks 38th with respect to the quality of infrastructure in general, 31st with respect to the quality of transport infrastructure, 59th with respect to the quality of electricity supply, and 55th with respect to the number of customers in fixed-broadband Internet subscriptions.

Therefore, initially made analogy did not become relevant by comparing these two countries. Based on the overall and individual indicator rankings, it is precisely clear that Azerbaijan did the way better than Kyrgyz Republic, especially in infrastructure development (Figure 7). However, we should also pay sufficient attention to the particular issues. When this report was prepared back in 2019, Azerbaijan had not liberated its territories from the occupation. Although, these territories have always been de jure part of the Republic of Azerbaijan under the international law, Azerbaijan did not used to exercise de facto control. Under those circumstances, not all of the indicators reflected today's and tomorrow's realities. Probably, in the next issue we may witness to the slight decreases in some indicator rankings of Azerbaijan. Another outcome from this analysis is the need for application of PPP to the liberated territories. While infrastructure development is the vital necessity for the whole Kyrgyz Republic territories, there is also vital necessity in Azerbaijan, but for the reconstruction and development of liberated territories in the fastest timeframe for the best interest of the state and its citizens.

Figure 5

Global Competitiveness Index 4.0 comparison between the Republic of Azerbaijan and Kyrgyz Republic



Source: World Bank. (2019). Global Competitiveness Index 4.0.

4.3 Public-Private Partnership country overview of Azerbaijan

4.3.1 Country Assessment

Governments of the Republic of Azerbaijan could obviously realize the integration of its economy, transitioned from planning economy to market economy, into the global economic system in the last two decades, especially thanks to its vast oil and gas resources. The significant reliance on the oil and gas revenues made non-oil and gas sector to attract less devotion from the state apparatus. Unfortunately, Dutch Disease was observed in the country in the same parallels with sharp decline of oil prices in the global markets and resulted with two devaluations of its currencies in the same year, 2015 by the Central Bank of Azerbaijan.

According to Corden, and Corden and Neary (as cited in Hasanov, 2013, p. 2) “the Dutch Disease is due to appreciation of country’s real exchange rate, caused by the sharp rise in exports, and the tendency of booming resource sector to draw capital and labor away from a country’s manufacturing and agricultural sectors”. Countries experiencing the Dutch Disease are identified by specific model for economies. Based on this model for the Dutch Disease economies, it is anticipated that in such economies there are three sectors in economy. The first one is the Booming Sector, which goes through dramatic increase in revenues coming from export. For instance, it was oil and gas sector in the case of Azerbaijan. The second one is called the Lagging Sector. This sector includes non-booming as in the first sector, but still marketable sector. Finally, the third sector is known as the Non-tradable Sector. Furthermore, the Booming Sector and the Lagging Sector have capacity to provide marketable products at a based determined by the world prices. However, the Non-tradable Sector, as can be seen from its name as well, does not depend on world prices (Corden and Neary, Buiters and Purvis, Bruno and Sachs, Corden, Edwards, as cited in Hasanov, 2013, p. 2). The Dutch Disease is usually linked with the natural resource source. To make a clear distinction, the Dutch Disease itself is more an economic problem, while natural resource dimension is about the political and institutional aspects. This is characterized by rent-seeking policy direction that changes a state to an extractive one, and the governing elite moves far away from production in the country but focusing on that particular resource sector (Bresser-Pereira, 2020, p. 4).

One thing for sure, it was a turning point for the government of Azerbaijan in terms of restructuring economy and making institutional reforms. Economic shocks tied to two times national currency devaluations in the beginning and the end of 2015 left behind macroeconomic instability. Thanks to the on-time intervention by the President Ilham Aliyev, government could handle de problematic period reasonably. Since then, the government was given a priority task to diversify the economy of Azerbaijan, in other words increasing the shares of non-oil sector in the economy, and also attracting more Foreign Direct Investment, countering shadow economy and etc. Just in a few years macroeconomic stability was achieved. According to Shaig Adigozalov, Director of the economic analysis department at the Central Bank of Azerbaijan as a logical continuation of this process, a momentous focus was put on deep structural reforms directed to realize the way more stable and generating economy goal as a concrete barrier against economic shocks (2019). During 2015-2017, the government focused on strengthening fiscal, monetary and exchange rate policy. On the report of the Asian Development Bank, in the same fashion, institutional rehabilitation at the State Oil Fund of Azerbaijan (SOFAZ) together with realization of financial market reforms were given a special attention. With this in mind, the government preferred policy of decreasing dependency from the SOFAZ budget. Money transfers from the SOFAZ budget to the state budget for expenditures were stabilized at sustainable limits in order not to be damaged by unexpected oil price variations. Just after three years from economic shock of 2015, money transfer from the SOFAZ budget to the state budget for the financial year of 2018 play the part of 45 % of total state budget, which was a relatively less figure compared to the years with approximately same world oil prices (Hampel-Milagrosa et al., 2020, pp. 11-12).

Although Azerbaijan invested billions of US dollars in infrastructure development during the last two decades, now country faces with two demands for infrastructure development. The first is the liberation of its territories from years' long Armenian occupation which left behind almost totally destroyed infrastructure. Besides, the destruction is not only about roads, railways, an airport, but also villages and cities with all infrastructure. Currently, there is not any scientifically calculated total investment need, yet one can roughly estimate the need for tens of billions of US dollars. In addition, construction of infrastructure is expected to be more developed and complex than in the early 1990s which means that more financial resources are required. On the other hand, ongoing Russia – Ukraine conflict paralyzed the traditional trade routes between the East and the West due to the sanctions imposed on Russia and security of trade routes. In this regard, especially the People's Republic of China is worried and interested in bypassing the current conflict with

minimum losses and risks. With its brand-new seaport, modern fleet, roads and railroads Azerbaijan is a promising country which is part of the Middle Corridor, as it is called in China.

In his speech at the International Conference on “South Caucasus: Development and Cooperation”, the President Ilham Aliyev (2022) stated that “We got several messages from Chinese companies that they seriously want to increase transportation of cargos. All our projects based on existing volumes of cargos and slowly growing volumes of cargos, but today we see demand for dramatic growth of cargos”. While the second demand may be temporary and require relatively less financial investment in infrastructure development, obviously, the first demand, Post-Conflict Reconstruction and Development of the liberated territories require dramatic amount of financial resources to be allocated to infrastructure development. Resources are limited, but the demand for the as soon as possible integration of the Karabakh and Eastern Zangazur economic districts (the liberated territories from Armenian occupation) into rest of the country is high. In the last two financial years 2,7 billion US dollars were allocated for reconstruction and development of these territories.

In 2021, allocated amount was 1,5 billion US dollars, while for this year, 2022 allocated amount is some 1,2 billion US dollars (“Azernews”, 2022). For the financial year of 2022, Azerbaijani government fixed its assumption at 50 US dollars for 1 barrel of raw oil to be considered in 2022 state budget (“Vergilər”, 2021). However, two significant events triggered global oil prices to increase. The first was lift of COVID-19 restrictions in most of the countries thanks to the massive vaccination and weakened nature of the virus. As previously said the second was due to the ongoing war between Ukraine and Russia. Today, 17th of May 2022 Azerbaijani oil known as Azeri Light is sold at a price around 119,39 US dollars per barrel. Between 1 January and 17 May 2022, the maximum price of Azeri Light, 135,99 US dollars per barrel was recorded on 9 March (“Azerbaijan News Agency” [ANA], 2022). Although the global oil prices are approximately more than the estimation of Azerbaijani government for the budget of financial year of 2022, it is not likely that and adjustments will be made over the determined oil price per barrel in the state budget. Because the excess amount of revenues goes directly to the budget of the SOFAZ. Depending on the decision of the government and the parliament more financial resources will be allocated to the reconstruction and development of the liberated territories.

Unfortunately, it is not possible to find the latest data on total amount of investment made for infrastructure development in Azerbaijan. However, Minister of Finance, Samir Sharifov stated

seven years ago that during 2006 – 2015, the Republic of Azerbaijan directed 30 billion US dollars to infrastructure development, especially physical infrastructure development (“Azadlıq”, 2015). In his speech back in May 2015, during the 48th Annual Meeting of the Board of Governors – Asian Development Bank, Mr. Sharifov made remarks on the role of PPP, as well. He stated that “Every dollar spent on social infrastructure has possibility to influence GDP by 5-20 %. Obviously, financial resources are not limitless. PPP model is one of the solutions. It is needed to overcome problems by this model to attract long-term investments” (“Azadlıq”, 2015).

4.3.2 Legislation and regulation – Overview

Legislative and regulatory overview of PPP environment of Azerbaijan can be summarized in one broad sentence without going into details. Basically, Azerbaijan does not have a comprehensive legislation concerning PPP. However, it should also be acknowledged that various laws and normative legal acts either were introduced or referred as source when it comes to matters with PPP. According to Humbatov and Singla (2016, p. 103) these laws and normative legal acts are the official state registration of legal entities, the law On the Protection of Foreign Investment, The Tax code of the Republic of Azerbaijan, The Customs Code of the Republic of Azerbaijan and Generalized system of Preferences (GSP) Program.

In 2016, the government of Azerbaijan introduced a PPP model in Azerbaijan, Build – Operate – Transfer (BOT). Meanwhile, the law accepted On the implementation of special financing for investment projects related to the construction and infrastructure facilities (*Tikinti və infrastruktur obyektləri ilə əlaqədar investisiya layihələrinin xüsusi maliyyələşmə əsasında həyata keçirilməsi haqqında*, 2016) and the president Aliyev signed a decree On the establishment of conditions for the realization by investors of the investment projects concerned with construction and infrastructure within the framework of Build – Operate – Transfer (BOT) model, requirements imposed on the investors with respect to types of construction and infrastructure facilities, features and conditions of the signed contracts and the value of goods and services obtained as a result of the investment, respectively date 16 March 2016 and 7 December 2016. According to s. 1.2 of the latter legislative act (*“Tikinti və infrastruktur obyektləri ilə əlaqədar investisiya layihələrinin investorlar tərəfindən “Tik-idarə et-təhvil ver” modeli çərçivəsində həyata keçirilməsinin şərtləri, tikinti və infrastruktur obyektlərinin növlərinə uyğun olaraq investorlar qarşısında qoyulan tələblər, bağlanmış müqavilələrin xüsusiyyətləri və şərtləri, investisiya qoyuluşu nəticəsində əldə olunacaq mal və xidmətlərin dəyərinin müəyyənləşdirilməsi Qaydası”nın təsdiq edilməsi haqqında*

Azərbaycan Respublikası Prezidentinin Fərmanı, 2016). the responsible body on behalf of the government is determined to be the Ministry of Economy. As Humbatov and Singla (2016, p. 103) put it

“The BOT model is defined in the Law as the payment, in accordance with agreements with the Ministry of Economy, by consumers of goods and services produced by investors, or the payment by the Ministry of Economy of investment expenses (including income earned) to investors in respect of certain investment projects listed in the Law”.

In March 21, 2021 the President signed a new decree On the establishment of conditions for the realization by investors of the investment projects concerned with construction and infrastructure within the framework of Build – Operate – Transfer (BOT) model, requirements imposed on the investors with respect to types of construction and infrastructure facilities, features and conditions of the signed contracts and the value of goods and services obtained as a result of the investment in order to make verbal adjustments. According to this decree (2021) “an applicant company” was changed to “a company”. In addition, according to the changes, in some specific conditions responsible state institution may determine investor by direct attraction without any tender competition. One of the cases is when there is an urgent need to implement any investment project in connection with an emergency that has resulted in loss of life, damage to human health or the environment, significant material losses and disruption of human life, and the inexpediency of organizing and conducting the competition. The second condition applies when the possibility of implementing the investment project is realistic only by a specific investor or the specific investor having exclusive rights related to the subject of the investment project, no alternative or substitute exists. The last, but not the least change in this normative legislative act is about the quantity of companies in the competition. Thereafter, at least 2 companies must participate in the competition held by these methods in order for the competition between all candidates or certain candidates to be considered valid. If the number of candidates in the competition is less than 2, the competition is considered void. According to the previous rules, the requirement for the number of candidates was at least 3.

All things considered, PPP is a widely respected tool for infrastructure development among the international and regional financial institutions. For instance, European Bank for Reconstruction and Development (EBRD) periodically releases report known as Public-Private Partnership

Assessment. The latest issue dates back for 2017-2018 and the previous one concerns with 2011-2012. So, EBRD gives around 5-6 years for a new consideration and assessment in order to evaluate the countries more precisely. Of course, another issue is the complexity of assessment and the number of member states to be considered. The objective of this assessment is determining the compliance of member states with the PPP framework in terms of legal framework.

The EBRD regularly work on the updates for better project results in its reports. For the latest 2017-18 PPP assessment report, the assigned team with permission of the EBRD enhanced and upgraded the criteria for the assessment. As can be seen from the results of Azerbaijan, 2017/2018 PPP assessment was done with respect to compliance of legal framework to be in an utmost harmony with globally accepted standards, and effectiveness of the whole system in a given country with respect to the methodology. A distinct checklist was considered for assessment of Compliance Assessment and Effectiveness Assessment. Furthermore, the checklist consists of two separate parts. Part I examined the level of compatibility between legal framework; laws and regulations of a given country, and globally recognized standards and the best cases-based experience. The existence of Part I was directed to particular issues. They were a) project development and selection, b) determination of the private sector partner, c) subject matter of a project contract and d) security related matters and public party backing for a project. Part II examined the effectiveness of existing legal framework of the given country dedicated to PPPs and concessions. Considered elements in Part II can be divided in two groups. The first one covered a policy framework and an institutional framework. The second group of Part II elements considered total quantity of projects and sectors in practice granted with PPP projects, and distinguishing business climate for PPPs and concessions (EBRD, 2018, pp. 13-14).

Additionally, the EBRD member countries were divided into other two groups referring to clusters for assessment purposes. Most of the member countries are included in the first group, so it is quite larger than the other group. The assessment procedure of these countries was realized by referring to different tangible paper resources, such as decrees, orders, national reports, judicial decisions, research findings, media releases, legal articles etc. Considering a possible error in the analysis, assessment findings were handed over to local experts in order to have them review results and verify the accuracy. The second group of countries included twelve member states: Albania, Armenia, Croatia, Egypt, Jordan, Kazakhstan, Lithuania, Mongolia, Poland, Romania, Russia and Turkey. These countries were put to more substantial assessment procedures. In other words, the

same resources with first group of countries were addressed, and in addition a number of interviews were organized and held with public and private parties in the second group of countries (EBRD, 2018, p. 14).

In fact, there were only a limited difference between 2017/2018 PPP assessment and 2011/2012 PPP assessment. This was done to sustain comparative nature of two reports as well as other assessments. During the assessment process the checklist provided either two or five existing answers. Contents of answers are the same regardless of any question and a number of possible answers. Yes was equal to 3 points, Yes, but (with reservation) was equal to 2 points, No, but (with reservation) was equal to 1 point. The assigned point for No and Not applicable was 0. Several questions could require more than two answers, when there were five possible answers. This was designed to be possible in the assessment. Therefore, every extra answer triggered total sum of points and it was raised by maximum 3 points. However, the opposite applies to the answer Not applicable. In that case, no points were given, and additionally total sum of points was decreased by 3 points (EBRD, 2018, pp. 14-15).

Consequently, total sum of points based on assessment was translated into the levels of compliance and effectiveness. Five categories were determined for overall assessment. Very low was equal to less than 30 %, low was determined to be between 30-49 %, medium level was observed between 50-69 %, high was meant to be between 70-89 % and very high was reflections of a score greater equal to 90 %. As per the newly introduced elements in 2017-2018 assessment, there were only a few. Bankability test, a deal breaker element in expert questionnaire and country specific analysis were introduced as an update.

Fortunately, Azerbaijan could achieve a favorable development in comparison with the previous assessment for 2011-2012. Mostly this positive development is closely linked to the law and decree introduced in 2016. In the latest assessment the scores of Azerbaijan are 65 and 19 respectively for Compliance Assessment and Effectiveness Assessment (European Bank for Reconstruction and Development [EBRD], 2018, p. 25).

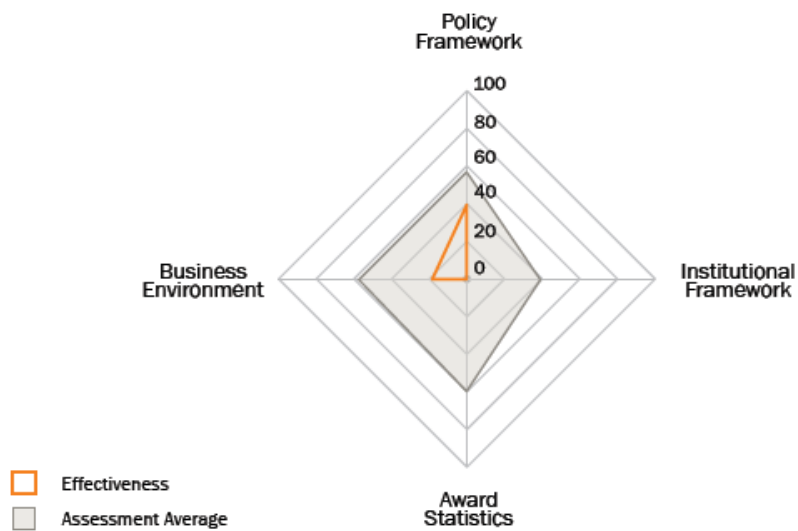
If we reflect on the 2011/2012 PPP assessment, we can observe that back then Azerbaijan was characterized by Low Compliance and Very low Effectiveness. The reason behind problematic result was due to the lack of evident real changes in comparison with previous PPP assessment in 2008 (EBRD, 2012, p. 20). On the other hand, Azerbaijan was characterized by Very low

Effectiveness (Figure 1) and Medium Compliance (Figure 2) in 2017/2018 PPP assessment (EBRD, 2018, p.33). Low Compliance in 2012 showing a positive sign developed to Medium Compliance, while nothing really changed in terms of Effectiveness Compliance, and it is still considered as Very low Effectiveness. This is again a reflection that there are developments in the legal framework, but nothing really changed in terms of effectiveness.

On the other hand, there are still a lot of limitations before Azerbaijan which in fact, are reflected especially on the plate of Effectiveness Assessment. In addition, numerous such limitations were also mentioned in previous assessment. According to the EBRD (2018, p. 33) the early termination right is given to the public party, but not the private party, although there should be specific elements, such as default of private party, violation of contract, bankruptcy of investor for public party to use this right. In any case, this issue favors disbalance between parties and discourages private party. Furthermore, Azerbaijan does not have a general concession law. Assessment reveals that, although the term concession does exist in both Civil Code of the Republic of Azerbaijan and the law On the Protection of Foreign Investment, the interpretation of this term varies. This is simply because the Civil Code of the Republic of Azerbaijan explains “concession” as one of the types of commission contract. Slightly on positive notes, the law On the Protection of Foreign Investment does at least cover concessions, yet only in a single article with respect to natural resources and parties to the concession must necessarily be foreigners (EBRD, 2018, p. 33). Comparison of 2011/2012 PPP assessment with 2017/2018 PPP assessment reveals that the EBRD’s dissatisfaction on the clear definition and general concession law continues to exist, as it was repeated again in the latter (EBRD, 2012, p. 21, EBRD, 2018, p. 33).

Figure 6

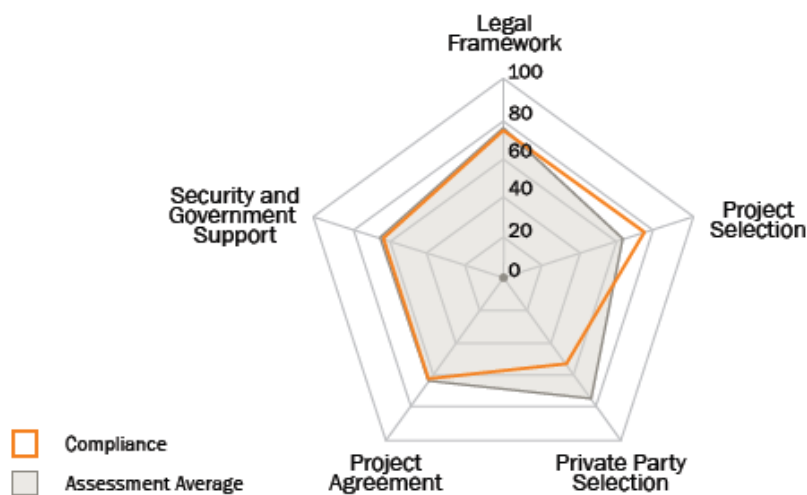
Effectiveness Assessment of Azerbaijan



Source: European Bank for Reconstruction and Development. (2018). *Public-Private Partnership Assessment 2017-18*.

Figure 7

Compliance Assessment of Azerbaijan



Source: European Bank for Reconstruction and Development. (2018). *Public-Private Partnership Assessment 2017-18*.

There are developments, but there are limitations before Azerbaijan in terms of PPP concept in the country. It is a matter of time to observe any further development in the next PPP assessment by the EBRD. Whether Azerbaijan needs a comprehensive PPP legal framework more than ever or not, is an important, yet not a hot topic in the government's agenda, at least based on the silence in part of legislation and media. Mahir Humbatov is the Acting director of the Economic Scientific Research Institute (the ESRI) of the Ministry of Economy is among the few experts in Azerbaijan who are deeply involved and specialized in PPP. Mahir Humbatov (personal communication, May 6, 2022) believes that a PPP scheme is complex anyway and due to the current realities on the ground after the liberation of territories, Azerbaijan should better focus on the development of a comprehensive legal framework of PPP that makes adjustments to the existing normative legislative acts and introduces new elements to the legislation. However, before a comprehensive PPP legal framework, there are prerequisites to be achieved in order to build a sustainable and strong one. It comes with no surprise that PCRDR will take many years to complete fully, especially in terms of construction of cities, villages, and other infrastructures. In the same fashion, a comprehensive legal framework of PPP, and later on bringing existing laws and regulations in action will also take quite reasonable number of years, yet less than the whole life of PCRDR and in fact, PPP can be a driving force in the other regions of Azerbaijan, as well. Even the President (Aliyev, 2022) in his introductory speech at the consultation meeting dedicated to the results of the first quarter stated that "It is enough to look at the history of the World War. Back then Marshall Plan was implemented. If the US did not implement this plan to reconstruct Europe, probably Europe on its own could reconstruct for 50 years". Obviously, what he meant was about the donor supports to PCRDR, however he also stressed out the longevity of PCRDR on one's own resources. Therefore, PPP can also be a promising framework to add value to the PCRDR in the liberated territories.

When it comes to the current PPP framework in Azerbaijan, Humbatov considers that it is considerably weak under today's consideration. He states that firstly, there should be an interest and a will by the government, as well as private sector to focus on resurrection of PPP. Also, an important issue is about PPP awareness in the country and it is not only about the state apparatus, but also private sector. In addition, trust between public and private sectors should be increased and strengthened through different tools. There are positive developments due to the ongoing structural reforms in different pillars of governance (personal communication, May 6, 2022). Trust has many elements in it and a lot of factors may harm trust. Long waiting period for documentation

is one of the bureaucratic barriers harming trust. In some cases, inefficiency and incapability of public servants are also problematic elements before trust between public and private parties. Moreover, out of date human capital and the need for reforms in the judicial and legal system are another aspect. Further work with development partners to ensure that the PPP environment and projects are in line with international best practices.

Erdenet Kasymov was also addressed with the issue concerning possible role of PPP in the PCR. In this direction, Kasymov (personal communication, May 10, 2022) emphasized that Regardless of the post-conflict or post-revolutionary situation (in reference to Kyrgyz Republic) in the country, the benefits of implementing public infrastructure projects under PPPs are the clear legal framework and the important role of the public sector. Under PPP, the public sector has more power over the contractor. The implementation of PPP projects provides opportunities for the public sector to learn from the experience of the private sector, while retaining control over the project, setting standards, and monitoring the progress of the project. The public sector is responsible for monitoring the performance of contractual obligations by the contractor. Moreover, PPP opens horizon for reciprocal responsibility and efficiency due to the participation of the private sector. However, in the case of Azerbaijan, importance of PPP application comes a step forward due to the dramatic current infrastructure level difference between liberated territories and the rest of Azerbaijan.

Meanwhile, Kasymov (personal communication, May 10, 2022) elaborated some particular approaches in Kyrgyz Republic as well as general world practice, and mentioned that the first is establishment of PPP IT platform, which contains all the necessary regulatory legal acts, information on initiated projects and other documents, to provide practical assistance to stakeholders on the issue of cooperation between the Government of the Kyrgyz Republic, investors and consultants, as well as to inform the public about PPP and investment opportunities in the Kyrgyz Republic. There is also direction towards efforts to attract international advisory companies with a proven track record and reputation in the PPP field to prepare projects and conduct tenders to ensure high quality projects, achieve maximum return on their implementation, as well as attract large international investors as private partners. Providing state support, as well as facilitating cooperation with international development partners in this direction in order to ensure sufficient funds to finance the preparation of PPP projects. However, analysis and approach should be beyond that.

One can argue that especially corruption is among the most problematic barrier before the trust between public and private parties. The president Ilham Aliyev acknowledges the existence of corruption in the country and gives his directions for taking counter measures. When he had a meeting in a video conference format with newly appointed head of executive powers of Jalilabad and Shamkir districts in 2020, the President (Aliyev, 2020) stated that “Usually, companies are linked to some heads of executive powers, or their deputies used to win tenders related to public procurement. Why? Because corruption and misappropriation were in a massive scale and it used to damage state budget”. According to the Corruption Perception Index (CPI) (2022, p. 3) Azerbaijan ranks in the 128th place out of 174 places where one ranking can be occupied by multiple countries. The ranking of Azerbaijan remained the constant for the year of 2021 compared to 2020. However, it should be noted that country made progress in the ranking of 2020 by several jumps.

Kasymov emphasizes the importance of anti-corruption measures to add value towards effective PPP environment. Correspondingly, Kasymov (personal communication, May 10, 2022) mentioned that you can have a comprehensive PPP legal framework which looks perfect on the paper. However, if massive corruption exists in that particular environment, you can hardly attract private sector, not only local, but also foreign investors to involve in PPP. On the other hand, in PPP tenders there is a place for negotiations between the public partner and private partners. In Europe, there is a formal "competitive dialogue" procedure that can be used if the client wants private partners to contribute to what the future project will be like and how it will be structured. Typically, PPP tendering procedures allow the public partner to ask bidders to refine their proposals and improve them before making a final selection. This is necessary to optimize the value for money. If the public partner acts in accordance with the relevant procurement procedures, and all negotiations with private participants are transparent and recorded, then the selection process will be fair.

4.3.3. Institutional Overview

Today, there is not any distinct state agency devoted to PPP distinctly. Considering their institutional set-up, few state institutions can be counted as relatable to PPP in Azerbaijan. At the

same time, the term institution can be meant by in two distinct understandings. The first one inherits its relationship with PPP due to its establishment, in other words it is an institutional PPP. While the second one, builds its ties with PPP by its investments.

One of those institutions, Azerbaijan Export and Investments Promotion Foundation (AZPROMO) under the Ministry of Economy functions in a sense of structural establishment for business party infrastructure procurement and is in the first category. The reason behind is its jointly established nature. As an institution, AZPROMO was established by the participation of both, public and private sectors. However, its de facto activities are concerned with PPP directly due to the reason that they do not invest at all. Meanwhile, according to the Article 2 of its charter, main goals, and responsibilities before AZPROMO are coordination of dialogue between public and private parties, consistent analysis of investment environment in the country, involving in the facilitation of the registration of legal entities, holding dialogues with private sector concerning legislative acts impacting investment environment, cooperation with different stakeholders for realization of investment projects etc. (Export and Import Promotion Agency of the Republic of Azerbaijan [AZPROMO], n.d.).

Other institution being relatable to PPP can be considered Azerbaijan Investment Company (AIC). In terms of the use of term, institution, AIC is put in the second. That is because AIC was established solely with capital of State Oil Fund of Azerbaijan (SOFAZ), meaning that a state capital was used, and a private capital was missing. Although this may be true, AIC could execute projects related to PPP by its investments, yet it has never done anything until today. The activities of AIC were usually establishment of joint companies or investment on the shares of other companies. For example, a factory of Baku Shipyard Company was founded in 2010. Back then, SOCAR, the State Oil Company of Azerbaijan Republic had 65 %, AIC had 25 % and Singapore's Keppel Company had 10 % of shares for the construction of factory and project value was estimated to be some 470 million US dollars (Azerbaijan Investment Company [AIC], n.d.a, SOCAR, n.d.). Latest news outlet shows that SOCAR increased its shares to 87,47 % in BSC in 2019 ("Report", June 30, 2020). In some circles this activity may be called as PPP, yet it is not in fact. It is rather a state guarantee for private investor party to invest in a particular project. As can be seen in its website, one of the key priorities before AIC is presented as being catalyst for persuading direct investments, especially Foreign Direct Investments to involve in Azerbaijani economy (AIC, n.d.b).

Small and Medium Business Development Agency (SMBDA) under the Ministry of Economy is another institution relatively linked to PPP, yet not directly the apparatus of agency. In 2019, a center known as Public-Entrepreneur Partnership Development Center (PEPDC) was established within the organizational structure of the SMBDA. With respect to its institutional categorization, PEPDC is in the first category of the term institution, which reflects its relationship with PPP due to its nature of establishment. According to the Article 2 (Small and Medium Business Development Agency [SMBDA], 2019) of its statute, its main activities are:

- making proposals related to the development of legislative framework and institutional infrastructure on Public-Entrepreneur Partnership.
- developing, implementing, and coordinating programs and projects on Public-Entrepreneur Partnership.
- Expanding participation of small and middle enterprises in Public-Entrepreneur Partnership programs and projects.
- Enlightening and strengthening all stakeholders on Public-Entrepreneur Partnership.
- Analyzing, researching appropriate projects in line with criterion of Public-Entrepreneur Partnership and working on realization of those projects.

With this in mind, activities of the PEPDC are hardly possible to track and there is not any significant added value is observed with respect to PPP in Azerbaijan. The most significant reason behind this inefficiency is probably due to the required human capital. As was mentioned before, PPP is a complex concept, indeed. Without required specialists in this field, any establishment will lack capacity to produce positive results, even in this small scale yet. Overall, these three institutions are differently related to PPP, and they are different with respect to a categorization of the term, institution. However, what unites them is the Ministry of Economy. All of them are under an umbrella of the Ministry of Economy. During the interview, when asked about the need for distinct public institution to deal with and regulate PPP environment in Azerbaijan, Humbatov (personal communication, May 6, 2022) stated that two directions are reasonable. Establishment of various small PPP units within the interested public institutions, such as the Ministry of Digital Development and Transport (MDDT), the State Agency of Azerbaijan Automobile Roads (SAAAR), the State Committee on Architecture and Urban Planning (SCAUP), Ministry of Education (ME), the State Agency on Mandatory Health Insurance (SAMHI) etc. which can be handled by a centralized unit by one of the two possible ministries. They are the Ministry of

Economy and the Ministry of Finance. When it comes to the second direction, it is the establishment of a unified and an independent institution under the President of the Republic of Azerbaijan. Moreover, he advised that the second option is more favorable considering country specific realities.

Wide implementation of PPP would probably define winners and losers from this experience in Azerbaijan. Winners and losers are basically stakeholders with different motivations. When it comes to the winners as a result of effective and efficient implementation of PPP projects, in the first place they are citizens. Regardless of whether PPP projects are implanted in the liberated territories or in other parts of Azerbaijan, it means a chance for economic growth, new employment opportunities, value creation and benefit from public finance directed to other direction rather than now private financing project. Obviously, we should also include public sector, state apparatus as whole in the group of winners. PPP projects may help public sector to ease its financial loads dedicated to PCRD initiatives as well as realizing faster resettlement and integration to other regions.

In the same fashion, private sector that involving in PPP is also a winner as PPP project should sustain win-win situation for both parties. Question might arise challenging the existence of strong small and medium-sized enterprises in Azerbaijan. As Guliyev (2020) put it “The share of the total value added generated by SMEs in Azerbaijan equals 6,4 % compared to 59 % in Georgia and 60 % in OECD countries”. We should also acknowledge that Azerbaijan has not completed cycle of full-scale privatization and market liberalization. State still owns many major enterprises in the economy. However, a few years ago Azerbaijan Investment Holding was established which includes a number of state-owned enterprises and companies, business entities with public share with the sole purpose of increasing transparency and securing financial strength and sustainability. The later stage is achieving privatization of those entities, at least, some of them. We should also note that in comparison with the last year for the period of January-May non-oil export of Azerbaijan by 38,5 % or 268,6 million US dollars (Tariverdiyev, 2022). In addition, PPP concept should not necessarily rely on domestic market SMEs. Foreign investment is more welcome in the country as it does also translate into capital inflow. Moreover, large-scale infrastructure projects are beyond the direct scope of SMEs. They are usually called megaprojects and have project value more than 1 billion US dollars each. Other than that, medium and large companies are important in investment attraction to PPP projects. In Azerbaijan, medium enterprise must have annual

revenue between 3-30 million AZN, while large enterprise must have annual revenue more than 30 million AZN.

When it comes to the losers, in the first place we can say some corrupt civil servants are initial losers. Although Azerbaijani government actively handles its anti-corruption activities, there are still some officials not refraining from corrupt activities. These corrupt activities include bribery, theft of public resources, abuse of discretion, favoritism, nepotism and etc. Especially, infrastructure projects where PPP has a lot more to say for PCRDR have more chances of negative influence thanks to its fragile nature. Therefore, PPP projects may prevent corrupt activities in terms of public procurement as procurement procedure changes in PPP rather than being usual public procurement practice.

4.4. Establishing PPP: Does one model fit all?

As it was emphasized before, PPP is a complex phenomenon thanks to its nature. This complexity appears in the selection of which PPP model is anticipated for a given project. Depending on the mode of entry, roles and responsibilities of public and private parties, PPPs are categorized under completely different, but sometimes slightly similar models. In other words, they are categorized based on the type of a contract in order to deliver concerning infrastructure project on the plate.

With this in mind, Hammami et al. (2006, p. 9) suggest that “All types involve private operation and management and most have private investments as well. The main distinguishing characteristics lie in the mode of entry, ultimate ownership, risk sharing from a normative standpoint, and duration of the partnership”. Metaphorically speaking, PPP is a jungle that you can get lost, if you do not look at the details attentively. In any case, initial roots depend on public sector. As a public party, you need to clarify precisely, whether or not you desire the private party to bring capital investments to a project so as to construct or expand an existing public infrastructure.

In recent years, Azerbaijan has only introduced a single PPP model. As mentioned before with reference to existing law, Azerbaijan has a place for Build – Operate – Transfer (BOT) model. Unfortunately, other PPP models are missing in the jurisdiction of Azerbaijan. Although, Azerbaijan might have a single PPP model, does it really need to have many of them? Well, definitely a single model is not enough. Simply because it tightens the borders of possibilities for infrastructure development, especially in the time of Post-Conflict Reconstruction and

Development. Therefore, there is a definite need for coming into conclusion to introduce additional PPP models in the country.

On the other hand, when it comes to the issue of which particular PPP model should be selected (from the perspective of public sector), unfortunately, there is not any single answer. When asked about in this regard, Humbatov (personal communication, May 6, 2022) answered that you have to evaluate many criteria attentively before coming up with final decision. On the one hand, thanks to some PPP models higher private sector participation translates into higher project quality, knowledge sharing and involvement of resources. On the other hand, country and project specific realities should be considered. Moreover, Humbatov (personal communication, May 6, 2022) added that PPP models in which ultimate ownership rights are given to public sector have more success chances than others. Therefore, PPP focus should better be devoted to the implementation of Build – Operate – Transfer (BOT), Build – Own – Operate – Transfer (BOOT), Build – Rehabilitate – Operate – Transfer (BROT), Merchant, Rehabilitate – Lease/Rent – Transfer (RLRT), Rehabilitate – Operate – Transfer (ROT), Leasing and Management contract (Table 2).

Table 2

Characteristics of Main Types of PPPs and Index of Private Participation

Index	Types of PPPs	Acronym	Mode of Entry	Operation and Maintenance	Investment	Ultimate Ownership	Market Risk	Duration (years)
1	Management contract		Contract	Private	Public	Public	Public	3-5
2	Leasing		Contract	Private	Public	Public	Semi-private	8-15
3	Rehabilitate, Operate and Transfer	ROT	Concession	Private	Private	Public	Semi-private	20-30
4	Rehabilitate, Lease/Rent and Transfer	RLRT	Concession	Private	Private	Public	More-private	20-30
5	Merchant		Greenfield	Private	Private	Public	More-private	20-30
6	Build, Rehabilitate, Operate and Transfer	BROT	Concession	Private	Private	Public	Private	20-30
7	Build, Own and Transfer	BOT	Greenfield	Private	Private	Semi-private	Private	20-30
8	Build, Own, Operate and Transfer	BOOT	Greenfield	Private	Private	Semi-private	Private	30+
9	Build, Lease and Own	BLO	Greenfield	Private	Private	Private	Private	30+
10	Build, Own and Operate	BOO	Greenfield	Private	Private	Private	Private	30+
11	Partial Privatization		Divesture	Private	Private	Private	Private	30+
12	Full Privatization		Divesture	Private	Private	Private	Private	Indefinite

Source: Hammami et al. (2006). Determinants of Public-Private Partnerships in infrastructure. International Monetary Fund.

Table 3

Types of Public-Private Partnership

Private Participation						
Weak ←-----→ Strong						
Public-Private Partnerships						
Contract Type	Public Sector Procurement	Franchise (Affermage)	Design-Build-Finance-Operate (DBFO)	Build-Transfer-Operate (BTO)	Build-Operate-Transfer (BOT)	Build-Own-Operate (BOO)
Construction	Public sector	Public sector	Private sector	Private sector	Private sector	Private sector
Operation	Public sector	Public sector	Private sector	Private sector	Private sector	Private sector
Ownership	Public sector	Public sector	Public sector	Private sector during construction, then public sector	Private sector during contract, then public sector	Private sector
Who pays?	Public sector	Users	Public sector or users	Public sector or users	Public sector or users	Public sector or users
Who is paid?	N/A	Private sector	Private sector	Private sector	Private sector	Private sector

Note: DBFO is also known as design-construct-manage-finance (DCMF) or design-build-finance-maintain (DBFM). BTO is also known as build-transfer-lease (BTL), build-lease-operate-transfer (BLOT), or build-lease-transfer (BLT). BOT is also known as build-own-operate-transfer (BOOT).

Source: Endo K., & Ram, K. S. (2021). *Public-Private Partnerships in developing Asian countries: Practical suggestions for future development assistance*. Asian Development Bank Institute.

It may seem that there is uncertainty in providing solutions or models to put forward as more suitable in the specific context of PCRCD in Azerbaijan. Two recalls are significant to address to this possible ambiguity. The first one is information from interviews which provides us with grounds to argue that PPP models with ultimate ownership belonging to public party in the future have more chances in Azerbaijan. The second recall is about current legislation covering only BOT and as it was mentioned before in this model ultimate ownership belongs to public party at the end. Therefore, it is more about country-specific realities rather than a particular model being more efficient. However, more efficient criterion, for instance, is more related to project selection process in the case of Azerbaijan. Another important issue is the nature of PCRCD, especially with respect to PPP models. Leasing, rehabilitating and management models are not really applicable to PCRCD initiatives of the government of Azerbaijan, as there is hardly standing infrastructure in the liberated territories. All in all, this thesis focuses on PPP models including criteria like private financing, construction and transfer (to public party), distinct criteria such as efficiency and cost-benefit analysis comparison should be rather in project selection.

Table 4

PPP model	Criteria		
	Private investment	Construction	Transfer
Rehabilitate-Operate-Transfer	+	-	+
Rehabilitate-Lease/Rend-Transfer	+	-	+
Build-Rehabilitate-Operate-Transfer	+	+	+
Build-Own-Transfer	+	+	+
Build-Own-Operate-Transfer	+	+	+
Build-Lease-Own	+	+	-
Build-Own-Operate	+	+	-

4.5. PPP in urban infrastructure

Urban infrastructure is the basis of a city life for its inhabitants regardless of the developed or developing country context. Urban infrastructure is usually adhered to transport services, sanitation, fresh and technical water supplies, waste management and telecommunications. In addition, it may include health linked resources, such as hospitals and clinics, social services and municipal apparatus (for example, law enforcement agencies) (Ompad et al, 2008). In the context of Azerbaijan, urban infrastructure is relatively in the good condition considering years' long investments of government, especially in transportation, water supplies and telecommunications areas thanks to the vast foreign currency income from oil and gas exports.

In this context, PPP may have two important benefits for health infrastructure in Azerbaijan different than other urban infrastructures. First, significant importance comes from the need for Post-Conflict Reconstruction and Development (PCRD). As discussed before, liberated territories were almost left without any infrastructure and healthcare system infrastructures were not exception. Obviously, this importance of PPP is applicable to other urban infrastructure as well. The difference of medical infrastructures appears in terms of its more applicable characteristics to the other regions of country. What unites healthcare infrastructure of Azerbaijan with respect to

the other territories and liberated territories of Azerbaijan can be summed up with one perspective. Construction and procurement of healthcare infrastructures with medical equipment are expensive and it applies pressure on the state budget on a constant basis. Even a surface level research in the electronic public procurement platform known as “etender” reveals that the Institute for Scientific Research on Pediatrics named after K. Y. Faracova held 7 public procurement tenders and quotation requests worth of 825839,77 AZN, approximately four fifth of a million AZN between 16th of December, 2021 and 11th of May, 2022 (Table 4). Although this may seem insufficient for public procurement generalization for healthcare infrastructure, it relatively gives contextual understanding about the current situation. There are tens of such organizations in the public healthcare system. In addition, a number of healthcare infrastructure are needed to be built, including liberated territories or renovated in many regions of Azerbaijan. In addition, private sector can manage organizations more efficiently considering the fact that private sector has a motivation. This motivation comes from the very basic philosophy of a private sector. Businesses must make money and better off. This motivates them to be cost efficient.

Table 5

Public procurement tenders and quotation requests of The Institute for Scientific Research on Pediatrics named after K. Y. Faracova

№	Name of the procuring organization	Name of the winner	Name of the goods/services	Name of the contest	Amount	Publish date
1	The Institute for Scientific Research on Pediatrics named after K. Y. Faracova	"NEXT SUPPLIES" LLC	A vehicle and equipments	A vehicle and equipments	249286.8 AZN	11.05.2022
2	The Institute for Scientific Research on Pediatrics named after K. Y. Faracova	"NAM GROUP" LLC	Procurement of current repair and materials	Procurement of current repair and materials	200944.42 AZN	11.05.2022

3	The Institute for Scientific Research on Pediatrics named after K. Y. Faracova	"RADION GROUP" LLC	Service for the main funds	Service for the main funds	13480.14 AZN	10.05.2022
4	The Institute for Scientific Research on Pediatrics named after K. Y. Faracova	"TİİM" LLC	Procurement of security services	Procurement of security services	84502.75 AZN	08.04.2022
5	The Institute for Scientific Research on Pediatrics named after K. Y. Faracova	"SAR LLC	Procurement of soft inventory, bed supplies and special wears.	Procurement of soft inventory, bed supplies and special wears.	102094.76 AZN	17.01.2022
6	The Institute for Scientific Research on Pediatrics named after K. Y. Faracova	"MODEV" LLC	Land, construction and equipments	Land, construction and equipments	41559.6 AZN	17.01.2022
7	The Institute for Scientific Research on Pediatrics named after K. Y. Faracova	"RESERVE" LLC	Office supplies and facility management expenditures	Office supplies and facility management expenditures	133971.3 AZN	16.12.2021

Source: *etender.gov.az*

Ulvi Salahov is the Acting head of International Cooperation Unit at the State Agency on Mandatory Health Insurance (SAMHI). When asked about the necessity for cooperation between the SAMHI and private medical enterprises, Ulvi Salahov (personal communication, May 7, 2022) answered that mandatory health insurance has been implemented for already two years. During this implementation we also do research international experience. Turkey, for instance, employed this partnership successfully. Turkey started to apply this model in healthcare system in 2003. As of today, they made significant progress in healthcare indicators.

Application of PPP in healthcare system can provide another benefit for the complete healthcare system which is beyond the consideration of PPP for healthcare infrastructure. This is human resources and applicable experience of private sector. During the interview, when asked about the capability of public medical organizations to meet the demand of citizens, Salahov (personal communication, May 7, 2022) stated that currently, during the last two years the SAMHI could make more than 2500 services which were needs of citizens available. Obviously, the SAMHI does not have options to provide some of these services at public medical organizations at the moment. However, as of today the SAMHI have signed agreements with approximately 25 private medical organizations in order to make expensive and vitally important services available for citizens. It is also important to realize that the SAMHI can provide these medical services relatively at some hospitals, but the demand of citizens is higher than capacity.

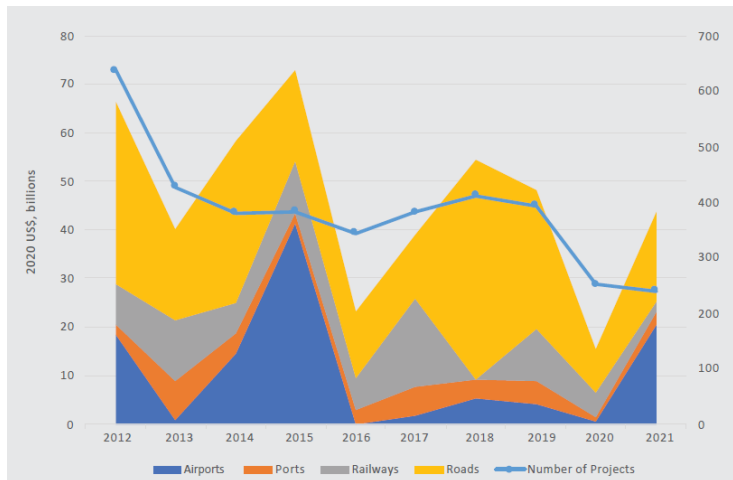
PPP concept covers various models developed during a few decades. Different PPP models reflect different advantages and disadvantages for the public sector. Furthermore, application of PPP models is expected to be based on the country specific and project specific realities on the ground. Afterwards of the previous question, Salahov reflected his views on the possible supports of private sector to public sector in healthcare. Salahov (personal communication, May 7, 2022) put that in Ganja city, there are a lot of medical organizations, but their infrastructures do not meet requirements of the SAMHI. In addition, there is also a massive hospital which has approximately 600 beds capacity and it exists as unfinished building. On the one hand, the state can spend a significant investment to finish the building. On the other hand, the state can transfer this unfinished building without spending any financial resources. Then, private sector can complete construction, and it can manage it for a long time. However, the state manages the healthcare part as the state keeps doctor service at its hand, while supporting services, such as laboratory, radiological screening laundry, cleaning, catering and etc. Based on Salahov's views, we can observe the same parallels with Humbatov who considered possible applicability of PPP models, which advocates for operating of particular infrastructure by a public sector.

Urban infrastructure cannot be imagined without reflections on transport infrastructure, although transport infrastructure is also studied distinctively (Figure 8). Transport infrastructure itself covers airports, seaports, railways, and roads. In this chapter, we will focus on roads from the point of view of PPP. Road infrastructure in PPP projects are usually meant to be toll roads, which are accessible to users for certain payments. In massive cities toll roads are offered for drivers even within the administrative boundaries of cities, for example, in the USA this experience is widely

used in practice. However, in small countries this practice is not really applicable. Particularly for that reason we will look at toll roads in terms of urban transport infrastructure in Azerbaijan.

Figure 8

Investment commitments in transport infrastructure projects with private participation in Low-and Middle-Income countries by subsector, 2012-2021



Source: World Bank. (2022). Private participation in infrastructure 2021 annual report.

Participant A is a public servant and an expert in the field of transportation. In an interview with Participant A (personal communication, May 15, 2022) he described that the State Agency of Azerbaijan Automobile Roads does not have one, but a few units for the implementation of projects. The SAAAR is responsible for roads metaphorically from zero to hero. It means that the preservation, fix, construction and design obligations are on the plate of the agency. Moreover, financing of projects usually comes from five distinct sources. They are the state, World Bank, Asian Development Bank, European Bank for Reconstruction and Development, and different private banks. Furthermore, all projects under the SAAR are procured with international tenders. There is only a single obligation which is the completion of roads on the side of contractor. Based on Participant A’s reflection on financing projects and the internet sources, it can be observed that the SAAAR does not have experience with PPP, although there were opportunities and there are now two toll road projects available in Azerbaijan.

Baku – Alat – Astara – Iran toll road project has already been completed. Although three years past, since the start of its opening for service, the road is still for free of use. According to “Yol-

Xəbər” (January 15, 2020), Saleh Mammadov, the Chairman of the Board of Directors of the SAAAR told journalists that the SAAR had already been prepared the toll road payment concept and presented to the government. When asked about toll roads of Azerbaijan in the interview, Participant A (personal communication, May 15, 2022) stated that Baku – Alat – Astara – Iran toll road project was financed by the ADB and the WB. This is a completely new road with less distance, higher road quality and speed permission. There is also another previously existing road which will stay as an alternative and like before it will be free of charge. It is also important to note that initially this new road was not considered to be a toll road. The idea emerged later on and rationale is justified by the existence of other road available for free of charge.

In addition to Participant A’s reflections, approximately after a month of Mammadov’s interview to media outlets, he gave another interview to media concerning Baku – Guba – Russia and that Baku – Alat – Astara – Iran toll road projects. According to Əhməd (February 21, 2020), surprisingly, Mammadov with respect to Baku – Guba – Russia toll road stated that “This road will be blazed a trail in parallel with cement road and it will be given to the service of people as the first ever toll road in Azerbaijan”. This sentence raises a question in mind. If other road constructed to be a toll road and is ready for service, why this road in his concern is expected to be the first ever toll road in Azerbaijan? Frankly speaking, this helps us to arrive at a conclusion that currently, there is a crystal-clear uncertainty in the public sector towards future of both road. Because there is no private party that the SAAAR and public sector in particular have contractual obligations before them. Both roads belong to the state and incomes will be directly transferred to the state budget.

Reflecting on abovementioned issues, it can be emphasized that there is a need for the employment of particular PPP models in Azerbaijan. Just an example of uncertainty with two roads helps to witness to the existing problem. This also negatively exercise effect on public spendings, as both roads were considered to be built on public spendings. Still free of charge status of Baku – Alat – Astara – Iran toll road also translates into an existing problem with its technical and economic feasibility analysis. At the same time, there is another problem with competent specialists equipped with PPP knowledge and skills, especially in the lines of the SAAAR as it is the sole executing public agency dealing with road infrastructure. While commenting on the future of potential PPPs, Participant A (personal communication, May 15, 2022) gave the following remarks:

“First of all, the SAAAR has never had experience with an execution of PPPs. So, they lack human resources capacity specialized in this field.

Before an execution of any PPP projects in the future, the agency needs to train its employees for a long time or it needs to hire new specialists from outside, but in Azerbaijan there are only a few of them. Moreover, the SAAR is consistently provided with enough public budget, the ADB and the WB financial resources. However, reconstruction and development of liberated may lead government to direct financial resources to liberated territories, while considering application of PPP in road infrastructure in other regions. Moreover, it would be an interesting policy, if government decides to establish toll roads between Azerbaijan and Armenia, particularly, connecting Armenia with Karabakh and Eastern Zangazur economic districts”.

Human resources capacity equipped with necessary PPP knowledge and skills is an important element. There can be difference in the views of interviewees thanks to their diverse backgrounds and pluralism in this thesis. However, there are similar views and parallels which can be called as the intersections of interviews. When asked about general suggestions for the development of PPP environment in Azerbaijan, Kasymov also touched upon the issue of specialists of PPP in the lines of public sector. In this regard, Kasymov (personal communication, May 10, 2022) advised that successful PPPs require a sustainable investment climate, which can be facilitated by the following key factors:

- personnel to promote and implement the process: employees working in certain government bodies, having the necessary political support, qualifications, and access to the necessary funding, stimulate the process of developing and implementing projects.
- comprehensive legislation that facilitates the process: the rules of the game should be such that the state is able to apply measures that protect it and the private sector without creating difficulties for the implementation of projects.
- financial support: in the development and implementation of most PPP projects, in particular those funded by the private sector, government support in the form of subsidies or access to finance is key to the project's commercial viability.

After economic shock in 2015, Azerbaijan adjusted its strategic preferences directing to more diversified national economy as well as sustainable macroeconomic governance. In its turn, this promising direction do have its own challenges. Consequently, overall planning, financing, and the realization of infrastructure development projects will be the way more complex than before. As

on the report of the ADB, it is highly likely that the public sector will maintain the prevailing role in offering infrastructure. As Hampel-Milagrosa et al. (2020, p. 99) put it “The government could consider divesting from the state-owned-enterprise (SOE) sector and using public–private partnerships (PPPs) as the main mode for financing public infrastructure and services”. It is also advised that the existing allocated amount to infrastructure development must definitely be continued (Hampel-Milagrosa et al., 2020, p. 99).

This report dates back to August 2020, when Azerbaijan has not liberated its territories from Armenian occupation yet. Even back then authors recommendation was to sustain existing level in order to meet demand and requirements for realizing diversified economic development. It would be interesting to compare what would they tell about this issue under today’s circumstances. If we recall what is going on with infrastructure development, we can see that resources have been directed to the infrastructure development projects in the liberated territories. Therefore, authors most probably would hesitate to write the same sentence, if they wrote it, for instance, just a month ago. It was still interesting to acknowledge that addressing to PPP as a method for infrastructure development even before the liberation of territories was recommended by the experts.

4.1. Critical success factors

The unresolved number of methodological issues of transition to partnerships between the public and private sectors, the lack of proper experience of such partnerships, the underdevelopment of the legislative and regulatory framework at all levels, bureaucratic obstacles, high political risks and corruption hinders the introduction and the successful implementation of public-private partnerships in most post-Soviet countries.

Entrepreneurs are interested in PPP, but they perceive it with distrust. Working with the state is too risky. There are many risks - political (the presence or absence of political support for the project), economic (the level of profitability of the project), environmental (the degree of environmental impact), social (support or opposition of the population) and many others (personal communication with Erdenet Kasymov, May 10, 2022). But for now, political risks are the biggest concern. Few people believe that the state will protect the investments of a private partner, especially in the conditions of frequent turnover of officials. In addition, they are discouraged by procedures that are perceived as extensive and require many approvals.

Chapman and Ward (2003, p. 3-4) believe that effective risk allocation is critical to improving project productivity by reducing costs, reducing time and improving the quality of work performed. Effective risk sharing tends to lead to more successful and more profitable projects, which creates benefits for both the public and private partners. However, such an efficient risk allocation is very difficult to achieve due to the existence of certain risks that are inherent in infrastructure projects, and which are difficult to attribute to one party or another.

Practice shows that for the successful implementation of the public-private partnership initiative, first of all, it is necessary to expand the awareness of all parties and the interest of the state and the business community in obtaining benefits (Personal Communication with Erdenet Kasymov, May 10, 2022). There is no uniform approach to the regulation of public-private partnership in the world. Let us dwell on the examples of several foreign countries. According to international experts, all countries using public-private partnerships can be divided into three groups:

- The first group includes countries that have created the political and legal environment necessary for the implementation of public-private partnership projects, but do not yet have a stable and orderly practice of project management (these include countries such as China, Russia, Hungary, Slovakia) (personal communication with Erdenet Kasymov, May 10, 2022).
- The second group will unite countries that have created a system of public management of public-private partnership projects, established standard and uniform processes and procedures, and have developed and are constantly building up practice in the field of public-private partnership (personal communication with Erdenet Kasymov).
- The third group consists of countries with a solid portfolio of successfully completed and ongoing public-private partnership projects, broad access to project financing and well-trained professionals in the field (personal communication with Erdenet Kasymov, May 10, 2022).

Successful PPPs require a sustainable investment climate, which can be facilitated by the following key factors:

- Personnel to promote and implement the process: employees working in certain government bodies, having the necessary political support, qualifications and access to the necessary funding,

stimulate the process of developing and implementing projects (personal communication with Erdenet Kasymov, May 10, 2022).

- Legislation that facilitates the process: the rules of the game should be such that the state is able to apply measures that protect it and the private sector without creating difficulties for the implementation of projects (personal communication with Erdenet Kasymov, May 10, 2022);

- Financial support: in the development and implementation of most PPP projects, in particular those funded by the private sector, government support in the form of subsidies or access to finance is key to the project's commercial viability (personal communication with Erdenet Kasymov, May 10, 2022).

A milestone in the development of PPP in Azerbaijan was the adoption in March 2016 of the law “On the implementation of special financing for investment projects related to construction and infrastructure facilities”, which makes it possible to implement infrastructure projects according to the “build-operate-transfer” model. The creation of a PPP Development Center under the Small and Medium Business Development Agency was also an economically significant initiative. Technical support to the Agency in studying international experience in creating a regulatory and institutional framework for the effective implementation of projects is provided by the PPP department of the Asian Development Bank (ADB), which has a representative office in Azerbaijan.

In the current situation, it is possible to reduce the possible risks of PPP projects by adopting relevant laws that will regulate relations between the public and private sectors. Although there has been some progress, there is still large gap in the legal and regulatory framework of PPP in Azerbaijan. The establishment of the proper regulatory framework for PPP projects that would ensure conducive working environment and coordinate partnership will be a crucial step in forming a trust between the public and private sectors and increasing government credibility. The above-mentioned factors are necessary components for the effective implementation of the PPP projects.

4.2. Value for money

Attaining value for money (VfM) is one of the major goals of governments in executing PPP projects. Value for money is defined as achieving the optimal balance of costs and benefits in implementation of the PPP project. Value for money is used in PPPs as an important criterion for

evaluating various forms of project implementation. This concept allows to determine the form of cooperation that will bring the greatest benefit at the lowest cost. The main idea behind VfM is to find out whether a project adds more value throughout its lifetime period as a PPP or as a traditional public procurement.

The VfM analysis can be carried out at two stages of the project - during the assessment of structuring and during the assessment of competitive proposals. During evaluation and structuring, the VfM analysis assesses the benefits of PPP in relation to traditional procurement (PPP Legal Resource Center). When evaluating bids, the VfM analysis makes it possible to compare the level of price-quality ratio of bids. VfM also takes into account the risks associated with a project. Since PPP projects contains numerous risks, these risks should be handled in the most efficient way so that public resources are efficiently utilized.

There are quantitative and qualitative approaches to assessing VfM. In quantitative approach, the costs and revenues of a project are evaluated in money terms. This approach contains the comparison of the PPP option in regards to a Public Sector Comparator, which indicates the costs of the projects if they were carried out through public procurement (PPP Legal Resource Center).

Thus, quantitative VfM analysis involves comparing the cost and quality of services or works in the application of PPP mechanisms and traditional public procurement. In some countries, only the payments to be made to the private partner are compared with the direct budgetary costs of a traditional procurement (Vrooman, 2012, p. 26). At the same time, it is necessary to develop a methodology for dividing the cost of project implementation by various risks, including those transferred to the private sector under PPP, as well as comparing the volume of services and work provided by various mechanisms for implementing an investment project (Vrooman, 2012, p. 26). Also, an important factor in PPP models is the need to allocate additional investor income during the implementation of the project and reduce the costs of state budgets by the specified amount.

Quantitative VfM analysis often adjusts for tax implications, discount rates, and other factors for various PPP options (Yescombe & Farquharson, 2018, p.86). In addition, in order to improve the quality of the analysis of value for money, it is advisable to make adjustments to the mechanism and stages of the analysis (Yescombe & Farquharson, 2018, p.86). The typical method of implementing quantitative assessment of VfM is through the comparison of the fiscal cost by two ways: either through the comparison of “the risk-adjusted cost to government of procuring the same

project through traditional procurement, to the expected cost to government of the PPP (pre-procurement) or the actual PPP bids (post-procurement)” (PPP Legal Resource Center). Another method for the implementation of quantitative assessment is through economic cost-benefit comparison.

Qualitative analysis includes the justification for the use of PPP mechanisms in the implementation of the investment project and its suitability for private financing. In this analysis, suitability checks are conducted to evaluate the potential of PPP project to produce VfM (Yescombe & Farquharson, 2018, p.92). PPP is assessed against various criteria such as viability, desirability, achievability. By employing this approach, the possibility of attracting non-state sources of financing is assessed, the possibility of long-term management by the private sector, the predictability of needs for consumers are analyzed. It is also important to determine the effectiveness of risk redistribution and the ability of the business to manage them, including the qualifications of investors in the relevant area of the investment project. Furthermore, this approach enables the analysis of the possibility of an investment project to generate income directed to maintaining and developing the state of infrastructure and improving the quality of services provided.

5. Conclusion

The world community already has years’ long experience with the devastating results of armed conflicts. Especially 20th and 21st centuries are notable in this sense considering two world wars and other large-scale armed conflicts happened in the age of more developed infrastructure than earlier centuries. Once wars are over and guns become silent, time comes for the PCRD with the participation of different stakeholders.

Rebuilding infrastructures is the most important and hardest part for bringing habitat back to destroyed territories. Rebuilding infrastructures and resurrecting economy demand partnerships. A partnership that serves for mutual benefit and trust between public and private sectors. Immediately after the World War II, Europe was going through a tough period. Hundreds of cities, villages, factories with all infrastructure were destroyed as a result of the war. One may hardly deny the role of Marshall Plan which allocated billions of US dollars for the reconstruction and development of Europe. If the US would begin that plan, European countries would probably achieve results of Marshall Plan on their own not less than a few decades.

However, Marshall Plan was an initial step to shake European countries and enhance certain infrastructures. Increasing demand for infrastructure development and increasing pressure on state

budgets made European countries find ways of alternative infrastructure development financing. The UK became the pioneer and champion of this stream and accomplished successful results during last decades. Since then, PPP in different models has been implemented in many developed and developing countries as an alternative financing where there is win-win result for public and private parties, and society in large.

As a country experienced destructive war and years' long occupation Azerbaijan experienced the same fate. Almost all cities, districts, and villages in the liberated territories from Armenian occupation are nothing, but ghost towns without anything useful tangible. Azerbaijan has a long path before the finalization of reconstruction and development of the liberated territories. Billions of US dollars are needed for reconstruction and development projects. It is neither realistic nor efficient for government to take all burden and invest alone in reconstruction and development, particularly in infrastructure development. With this in mind, participation of private sector is also desirable. Participation of private sector can be in different form anyway. However, the government put a special attention for PPP concept in Azerbaijan 2030: National Priorities for Socio Economic Development strategic document as an effective tool to establish conditions for bringing back citizens and integrating the liberated territories to the rest of the country. On the other hand, PPP can be a significant alternative financing tool not only for the liberated territories, but also for the rest of Azerbaijan. More importance of PPP in the liberated territories comes from the notion that there is more demand for infrastructure development than other regions of the country. Azerbaijan may implement PPP in various sectors, such as healthcare, green energy, toll roads, utilities, telecommunication etc. Although there is desire to employ PPP for 2030 vision of Azerbaijan, the real situation of PPP in the country does not seem promising at the moment.

International financial institutions, the EBRD and the ADB, recognize Azerbaijan to invest billions of US dollars in infrastructure development especially in the last two decades, yet Azerbaijan faces with rising demand for infrastructure development in 2020 due to two reasons. Obviously, one is reconstruction and development of the liberated territories, the other is trade route diversification attempts of international actors to sustain trade links between PRC and Europe due to paralyzing effects of the war between Russia and Ukraine. Both demands require massive financial investment, while the stake of the first one the way higher.

Unfortunately, Azerbaijan does not have a comprehensive PPP legislation, yet there are a few separate legal documents that stand for pieces of a full PPP puzzle. In 2016, a step forward time was observed in Azerbaijan thanks to the introduction of BOT model PPP which is just one out of

several models. In Azerbaijan, no other PPP model was identified in the national legislation. This decree is not considered complete and clear by the international financial institutions while applauding its introduction. For instance, there is uncertainty with the respect to the exact meaning of key words in PPP concept, for instance, concession. A year after the war, some adjustments were made in this decree, yet they were not considerably significant. In general, Azerbaijan was considered medium compliance country for its established legislative PPP framework based on the international standards and best practice. Meanwhile, effectiveness of PPP was considered very-low which showed that paper does not fit the real work.

Trust between public and private sectors should be taken care of. Ongoing structural and institutional reforms by the government, public party, sends positive signals to local and foreign private parties. Unfortunately, there are bureaucratic barriers and various corruption cases, although government has been consistently countering such limitations. Thus, the government should increase its efforts on combatting different forms of corruption and lifting barriers in order to strengthen trust between public and private parties.

PPP concept is not completely effective for use in practice. Besides, there is also uncertainty in handling the process. There are the AIC, AZPROMO, the SMBDA, but any of them neither really does PPP nor has institutional capacity to handle PPP in fact. Nowadays, there is no separate public agency or center dedicated to PPP, negotiations, regulatory responsibility, giving proposal to legislative and executive branches of state, attracting private parties etc.

Successful implementation of PPP initiative there is necessity for spreading awareness of different stakeholders about PPP, yet it is usually harder to do in developing countries, than in developed countries. Azerbaijan is developing country in which there is even lack of awareness about PPP in public sector, yet alone private sector. The public party as modern Leviathan should be responsible for failures, while being copartner in success. Thus, there are also needs for reformist technocrats and initiatives of very limited professionals with expertise in PPP.

There are many PPP models available for sure in many projects, however even if they introduced or implemented, they will not possibly result with project success due to different reasons. Country specific realities should necessarily be considered before implementing particular PPP model, even if it is determined specifically in its respective jurisdiction. Findings suggested that context of Azerbaijan does favor PPP models which retains management and infrastructure for the public party. Besides primary research sources, a basic sign of this tendency is the introduction of one and only PPP model in the country, BOT model. In BOT model private party invests money to build,

then it operates, but after specific years, usually 20-30, an infrastructure is transferred to public party and a state becomes sole owner.

Public party institutions again either favor the models in which investment and secondary operation is put on shoulders of private party or do not have intention for PPP. Second group has two reasons for neglecting attitude. While the first reason is about lack of knowledge about PPP concept, the second reason is about sufficient amount provided by the state budget and international financial institutions, the ADB, the EBRD, the WB, and this is especially characteristic for road construction sector.

6. Recommendations

6.1. Reform in the legislation

There is a need to reform PPP legislation in Azerbaijan. A comprehensive PPP legislation is especially important for developing countries. A comprehensive PPP legislation would clarify all gaps and establish grounds for enhancing trust between public and private parties. Reforms in the legislation will also contribute to effectiveness of PPP in the country.

6.2. Independent PPP agency

The government of Azerbaijan should establish an independent PPP center or agency under the President. This agency can be responsible for all aspects of PPP. Instead of different PPP units in concerning public institutions, a single centralized agency may serve effectively and efficiently. Starting from regulation of PPP concept, suggesting proposal before legislative and executive branches, coordinating PPP initiative with different public institutions, consistently negotiating with private parties to attract them, and raising awareness about PPP would be main activities of this agency.

6.3. PPP human capital

The government of Azerbaijan should put special attention first to develop PPP human capital in the country. Even if a dedicated PPP agency is established today, it will less likely have a capacity to bring real results. Azerbaijan does not have sufficient number of professionals enjoying expertise in PPP. This is about both public and private sectors. Consequently, selected public servants should be trained and education by specialized international and foreign institutions. The ADB and the EBRD have initiatives supporting PPP establishment in the member countries and Azerbaijan may benefit from two institutions.

6.4. Improvement in public procurement

The government of Azerbaijan should increase its efforts in reforms concerning public procurement practices. Public procurement is an important part of PPP concept while concerning value for money. Inconsistent practices or perceptions about public procurement environment in a country would definitely harm trust, and it would negatively affect private interest in PPP projects. Simply because, participation in PPP tenders require serious financial resources and time for preparation. Private sector needs real implications in public procurement that are constantly checked and verified by independent stakeholders. In addition to his, government should continue its efforts in combating corruption and bribery in the public sector. Rehabilitation in the ranking of CPI will also add value to the perception of local and foreigner investors in terms of transparent public procurement customs.

6.5. Determination of country-specific models

The government of Azerbaijan should focus on determination of specific PPP models for implementation. This may result with better outcomes in shorter time. Public party should make an assessment based on its priorities to determine which PPP models are possible to apply. Consequently, well-developed 4-5 models give more confidence to private investor rather than incomplete and dispersed 10 models or models that exist on the paper, but they do not have a chance for success in Azerbaijan.

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Appendix 1. List of interviewees

Erdenet Kasymov (Leading specialist at the PPP Center of Kyrgyz Republic). May 10, 2022. Email correspondence.

Mahir Humbafov (Acting director of the Economic Scientific Research Institute of the Ministry of Economy). May 6, 2022. In person.

Participant A (public servant and expert in road infrastructure) May 15, 2022. Zoom

Ulvi Salahov (Acting head of the International Cooperation Unit at the State Agency on Mandatory Health Insurance). May 7, 2022. Zoom.

Appendix 2. Interview questions

1. How would you define PPP?
2. Is there necessity for partnership between public and private sectors?
3. What are the pros and cons of PPP for public and private stakeholders?
4. Can PPP concept be adapted to country specific realities?
5. As you may have known Azerbaijan liberated its territories in 2020. Occupation left behind destroyed basic infrastructure, villages, cities. What do you think about the role of PPP in post-conflict reconstruction and development?
6. How can public sector create trust with private sector?
7. What are the success factors of PPP based on your experience?
8. Which core threats do harm PPP projects and future PPP environment?
9. Are there specific issues which may be different in developed and developing countries?
10. What can you tell me about the PPP environment in Kyrgyzstan?
11. What can be your general suggestions for the better PPP environment in Azerbaijan?
12. Does Azerbaijan need a complex PPP scheme now more than ever? Why?
13. What can you tell about the current PPP status in Azerbaijan?
14. Is there need for a distinct public entity dealing with PPP? Why yes or why not?
15. What should be done in order to create a favorable PPP environment in Azerbaijan, particularly in the liberated territories?
16. Which PPP models may have more success chances in Azerbaijan?
17. Which sectors can benefit from these models in Azerbaijan?
18. Does capability of public medical organizations meet citizens' volume of demand?
19. What are the prospects of implementing PPP in road infrastructure?
20. We hear about toll roads in Azerbaijan, but do they exist in practice?
21. If you evaluate the prospects for PPP environment, which sectors of the economy are most attractive for business and why? What sectors would remain unclaimed for PPP projects? What is the reason?