



# ЕКОНОМІКА В УМОВАХ СУЧАСНИХ ТРАНСФОРМАЦІЙ

---

ECONOMY UNDER  
MODERN TRANSFORMATIONS

<https://doi.org/10.15407/economyukr.2024.07.021>

UDC 334.1

JEL: G18, L88, E22, E60, P35

**Murad TEYMUROV**, PhD (Econ.)

Public Administration Academy under the President of the Republic of Azerbaijan

74, Lermontov St., Sabail district, AZ1001, Baku, Azerbaijan

e-mail: [t-muradteymurov@unec.edu.az](mailto:t-muradteymurov@unec.edu.az)

ORCID: <https://orcid.org/0009-0000-5011-8750>

## **PUBLIC-PRIVATE SECTOR SYNERGY FOR PROMOTING DEVELOPMENT IN SOCIAL ENDEAVORS**

---

*From the end of the 19th century to the second half of the 20th century, the classical concept of public administration began to weaken due to the oil crisis that appeared in the 1970s, and then the increase in public expenditures and the creation of budget deficits. The crisis, state failures and globalization have been heavily criticized. In many countries, a new approach to public administration has emerged as a result of demands for public administration reform.*

**Keywords:** *public management; collaboration; infrastructures; employment; socio-economic development; socio-economic problems.*

---

The new public management approach emerged in the 1980s and aimed to change the role of the state and increase its effectiveness and efficiency by adopting a private sector management approach in the public sector. With this approach, the state is not process-oriented, but result-oriented, competitive, customer-oriented, goal-oriented, initiator and catalyst. The new era envisages policies in which both public and market approaches are implemented in cooperation. Within this approach, the concept of providing services of the state, especially in the economic field, has been changed. The ultimate goal was to achieve

**C i t a t i o n:** Teymurov, M. (2024). Public-private sector synergy for promoting development in social endeavors. *Economy of Ukraine*. 67. 7 (752). 21-31. <https://doi.org/10.15407/economyukr.2024.07.021>

© Publisher PH «Akademperiodyka» of the NAS of Ukraine, 2024. This is an open access article under the CC BY-NC-ND license (<https://creativecommons.org/licenses/by-nc-nd/4.0/>)

efficiency and effectiveness through privatization in line with neoliberal policies, which involved leaving the production and distribution of public services to the private sector. However, when the desired benefits could not be obtained from privatizations, new model references were introduced, and models such as public-private cooperation emerged, which involve the implementation of cooperation with the private sector without the transfer of public goods to the private sector. This model, called the second stage of privatization, differs from privatization in that it is implemented through contracts and uses different models.

**The main purpose of the article** is to highlight how this collaboration is an effective way for social prosperity through social projects. The article analyzes the achievements and possible potential of public and private sector cooperation in social projects based on independent research, statistical data and experiences.

Also, it manages to emphasize how this cooperation creates changes on the structure and socio-economic aspects of the society and increases the speed of social development. In addition, the article discusses how the promotion of social projects through the joint action of the public and private sectors helps to achieve a healthier, independent and fair development in the wider perspective of society.

## HISTORY OF PUBLIC-PRIVATE PARTNERSHIP

The first examples of public-private partnership (PPP) practices were seen in England in the 1990s, and after the model was successfully completed, it was implemented in many countries. This model is used to implement many high-value and high-tech services, especially in developed and developing countries, such as health, education, transportation, environment, infrastructure, public works, electricity distribution, and public transportation. The PPP model, which incorporates multiple features such as governance, human resources and organization, increases the diversity and functionality of public services. To understand cooperation, it would be useful to briefly touch upon the Classical Public Administration approach. Because it is known that any change in public administration is made against the inadequacy of classical public administration. This approach has been in place for years in terms of regulation of public sector work principles and rules. The pioneers of this approach are Frederick W. Taylor and Woodrow Wilson in America, Henri Fayol in France and Max Weber in Germany (Ekinci, Yilmaz, 2019, p. 68).

The organization of the classical approach based on four main principles is based on Weber's model of bureaucracy. The first feature is the management approach based on centralization with division of labor, written rules, hierarchy and official relations (Ayhan, Önder, 2017, p. 28). The second feature of this approach, which aims at efficiency and effectiveness (Çevikbaş, 2012), is that the state, which is active in the social and economic field, envisages the production and distribution of public services by its own institutions (Çevikbaş, 2012). The third feature is the separation of administrative and political spheres. Politicians made decisions and determined state policy, and this supported political governance.

A final feature of this approach is that public management is quite different from the private sector management approach. While the public sector ensures the lifelong employment of its employees, the private sector management considers employee performance important. People's employment security depends on the performance of their work.

The classical concept of public administration continued unchanged until the end of the 20th century and began to weaken in the 1970s. There are many factors that undermine this approach. The first of these facts is the increase in budget deficits due to the oil crises and government spending in the 1970s (Genç, 2010). Because as a result of these increases, the Keynesian welfare state, which takes into account public spending, and the employment of public personnel began to be questioned, and alternative searches emerged. The second reason is that with the development of technology and globalization, the demands and expectations of individuals from state policies have increased, and the existing state administration has been inadequate to meet these demands (Genç, 2010). For this reason, there is a need for a new management structure to meet the expectations and demands of citizens in a qualitative and fast manner. As another reason, neoliberal reforms were implemented in the economic field with the coming to power of new right-wing governments. As a result, reduction of the state, reduction of public spending, private sector and entrepreneurship, etc. such practices became widespread. Another reason driving this approach to change is the rise of anti-central system and anti-bureaucracy discourses and the use of neoliberal policies as a tool by international organizations such as the International Monetary Fund (IMF), the OECD and the World Bank. In addition, as a result of the development of technology and the impact of globalization, public policies in many parts of the world have become similar started As a result, public policies implemented in western societies within the framework of the New Public Management approach have begun to spread throughout the world over time. Concepts such as civil society, transfer of private sector practices and techniques to the public, democracy, localization and management have been frequently used in state policies, and these practices continue to be effective in public administration (Ayhan, Önder, 2017).

## **SOCIAL PROSPERITY AND NEW PUBLIC MANAGEMENT APPROACH**

Many countries organized by classical public administration methods have failed, and as a result, alternative searches have emerged. Especially since the 1980s, many countries have begun to question how public administration will be managed, which services will be provided by whom. Because the state cannot meet public services and the demands and expectations of individuals. In the face of this situation, steps were taken in the direction of changing the role of the state and establishing a market-based state administration. Privatization policies emerged in the 1980s and after the 1990s, policies where both public and market approaches were jointly implemented and studied.

Decentralization in favor of decentralization, empowerment, institutional development, inclusion of client groups, expansion of responsibility, confrontation, sensitivity training appear to be the concepts that shape the quality of the new public management (NPM) concept (Frederickson, 2016). The management approach underlying the NPM approach is based on the convergence of public sector with private sector management. Private sector management based on values such as efficiency and economy is considered as an effective and efficient means of providing services to the population (Akpinar, 2012).

According to the NPM approach, the concept of a state that performs «basic functions» is targeted. In response to the desire to downsize the public sector, that is, to reduce its scope of activity (Weikart, 2001), an answer was sought to the question of how best to manage the remaining part to provide the necessary public services.

The issue of how best to efficiently use the resources exhausted by the public sector as a whole was discussed and a solution was sought. The answers to these questions revealed the characteristics of NPM. Various classifications have been made regarding the characteristics of this approach. Referring to some of these classifications, states that there are seven main principles of this approach and these principles are as follows:

- transition to professional management in the public sector. In this way, the principle of «responsibility» is developed and contributes to management. It develops a sense of responsibility;
- clear standards and performance indicators. This principle promotes the development of accountability that allows clear articulation of goals;
- results should be given more importance than the methods used. Because it is more important to emphasize the results, not the procedures;
- large public associations should be divided into smaller units. In addition, productivity should be increased by contracting outside the public sector as well as within the public sector;
- competition in the public sector should be increased to reduce costs;
- private sector management methods should be used in the public sector. It is necessary to move away from military-style bureaucracy. Recruitment and rewards should be more;
- use of resources should be disciplined and economical. This is achieved by reducing direct costs, increasing work discipline, limiting union demands and reducing compliance costs for businesses.

According to Eryilmaz, the NPM approach has four main features. The NPM approach is unbureaucratic, managers accountable to both politicians and the public, minimization of government intervention and scope, emphasis on efficiency, effectiveness and market system in services.

When the literature is reviewed in general, the main features of the NPM approach are; giving preference to more localized structures instead of hierarchy and bureaucracy using the methods and principles of the private sector (Uysal, 2020), expanding the content of contracts by increasing the number of contracts for the performance of services between the private sector and the

public sector, increasing competition (Christensen, Legreid, 2002), adopting a result-oriented rather than process-oriented approach, minimizing state intervention, performance-oriented work, adapting business management theory to public administration, creating professional management, using entrepreneurial logic in the public sector to operate, emphasis on separation, privatization and localization, public and private sector partnership by eliminating the differences between the public and private sector. The NPM approach aims to provide services by increasing effectiveness and efficiency, as well as taking into account democratic values such as equality, justice and tolerance.

Defining principles is important to our topic. NPM's features can be further extended. However, these are the general features that the NPM approach emphasizes based on these features. From the mentioned characteristics, the transfer of power from the state to the individual took place. Privatization, localization, democratization, liberalization, cooperation between the state and private sector in the production and distribution of services in the economy have become the main principles of state policy.

These explanations imply the NPM approach, the transfer of powers from the central government to local self-governing bodies, and the strengthening of these structures through changes in state financial structures, as can be seen when examining the reforms carried out in different countries. In addition, this approach aims to provide quality and fast service, to transform administrative structures away from old classic structures, to apply the principles and techniques applied in the private sector to the public sector, privatizations, and localization, and to make audit units more active and fast.

#### **DEFINITION AND MAIN FEATURES OF PUBLIC-PRIVATE PARTNERSHIP CONCEPT**

At the end of the 1970s, there were changes in the functions of the state in the social, economic and political fields. During this period, as a result of the oil crisis, budget deficits, and the increase in government spending, new reforms were attempted in public administration, and with the spread of the NPM approach, which emerged throughout the world, the methods of providing public services began to change (Genç, 2010). At the end of the 1980s, many elements that helped to overcome difficulties in the provision of public services and financing of infrastructure investments, such as the privatization of some institutions, elements of the classical methods, such as ensuring the participation of private sector subjects in public services, began to be used (Uysal, 2020). However, the idea that the privatization policy of some institutions in the countries did not live up to the expectations, the loss of control of the public authority over the public services, globalization, lack of funding in the provision of public services, the wide spread of neo-professionalism, liberal policies and the concept of the state, the desire to shrink the state in the 1980s prompted many countries to look for new models (Uysal, 2020). As a result of these situations,

the Public Private Partnership model, which allows construction and operation to be implemented on the basis of public-private cooperation, emerged.

It is a model designed to encourage private sector participation and to cope with the financing of services where the state does not want to completely distance itself from the production of the public service and avoids production and provision by the private sector alone. The public-private cooperation model, which is also called the second branch of privatization, has found a wide field of application and has spread all over the world. This model has been applied in many countries by ensuring that the private sector invests in basic services such as education, health, housing, transport, water and sanitation (Weikart, 2001). In this context, PPP is considered as a model where the public can concentrate in areas such as general planning, policy determination, investment control and coordination.

The first examples of the PPP model date back to the Roman Empire. However, the first attempt to implement it in its current form can be found in England. The first application of this model began in 1992 with the «Private Finance Initiative (PFI)» in Great Britain, following the removal of the ban on private sector management entering the public sector domain. With the success of this model, it has found a wide field of application in many countries. Many countries such as Germany, Portugal, Greece, France and Spain have implemented various projects around this model (Çolak, 2012). Public-private partnership projects, which became widespread in our country with Law No. 3996, which came into force in 1994 and were applied in many different sectors, took their place in their current state with the construction of health-related campuses that will be built together with their construction.

When defining the concept of PPP, it is possible to see definitions that emphasize many dimensions. PPP «in the construction of public goods and services, financing, operation, maintenance and design elements are carried out by the private sector, and costs, resources and risks are shared between the public and private sectors».

If the general definition of the concept of PPP is given according to the definitions and explanations made so far, it can be expressed as public and private sector companies cooperating under various types of contracts to provide services or implement public projects. A similar definition was given in the «Green Book» prepared by the European Commission. Accordingly, PPP is a method of cooperation between the public and private sectors regarding the sharing of services related to the construction, financing, operation, provision and renewal of basic services. According to these definitions, the PPP model requires mutual risk sharing between the public and private sectors, and this model has more than one factor.

It has many characteristics, such as the participation of participants, the fact that at least one of these participants is the public sector, and their activities are carried out on the basis of contracts. In the Green Book published by the European Union in 2004, the defining features of PPP were expressed as follows:

- contracts are long-term and include methods, formats and limitations of cooperation between public and private partners related to the planned project;

- project financing is usually provided by a private partner. Stakeholders of the basic project are those who make financial contributions within the framework of their rights and obligations;
  - based on project design, production, implementation and financing is the responsibility of the private operator. In terms of public interest, the state is responsible for improving the quality of the provided service and ensuring that the price of the service is at a reasonable level that consumers can afford;
  - the risk in the provision of services is transferred from the state to the private partner. However, the private partner does not have to bear all or a substantial part of the risk. The allocation of risk is determined according to the project according to the ability of the parties to assess, control and eliminate the risk;
  - if the state controls an operating entity in a manner similar to its own units, and the entity carries out a significant portion of its activities under the control of a state partner, an intra-enterprise relationship exists and is not considered a PPP.
- PPP models are classified as: «Build-Own-Own, Build-Operate-Transfer, Build-Operate, Lease-Develop, Restore-Operate, Rehabilitation-Operate, Build-Operate, Design-Build» and «It is applied in various ways, such as finance-operation-transfer, design-build-finance-operation» methods. The difference between these models

#### Categories of PPPs

Broad Category	Main Variants	Ownership of capital assets	Responsibility of Investment	Assumption of Risk	Duration of contract (Years)
Supply management contract	Outsourcing Maintenance management Operational management	Public	Public	Public	1—3
		Public	Public/ private	Public/ private	3—5
Turnkey		Public	Public	Public/ private	3—5
Aftermage/ Lease	Aftermages Lease	Public	Public	Public/ private	1—3
		Public	Public	Public/ private	5—20
Concessions	Franchise BOT	Public/ private	Public/ private	Public/ private	5—20
		Public/ private	Public/ private	Public/ private	3—10
Private ownership of assets and PFI type	BOO/DBFO	Private	Private	Private	15—30
	PFI	Public/ private	Private	Public/ private	Indefinite
	Divestiture	Private	Private	Private	10—20
					Indefinite

Source: PPP Contract Types and Terminology. The World Bank. URL: <https://ppp.worldbank.org/public-private-partnership/ppp-contract-types-and-terminology> (accessed on: 01.03.2024).

and privatization is that the state does not completely transfer the production of public services to private sector organizations and provides services under its own control. These models are used in many fields such as education, health, housing, transportation, water supply, sewage, garbage collection, railway, hospital, information technology systems, highway, stadium, power generation, pipeline, prison and housing construction (Uysal, 2020). Table shows the most commonly used models and procedures of PPP. In general, with the Build-Work (BO) model, which involves the construction of operational services to be provided by the private sector through a contract and license procedure, such as power plants, bridges, dams, roads, public works, electricity distribution, public transport, etc. performed.

The Build-Operate-Delivery (OED) model used for the implementation of both high-cost and technological services are the most commonly used models. The right to operate any property belonging to the public or the private sector for a certain period of time with the Build-Lease-Transfer (YKD) model (Uysal, 2020), which is applied in many countries for the operation and construction of services such as health care, schools and hostels is given to the state for use.

#### **ADVANTAGES AND DISADVANTAGES OF THE PUBLIC-PRIVATE PARTNERSHIP MODEL**

It can be said that if the public-private partnership model is well planned and implemented according to the conditions of the country, it will give serious advantages to that country. The advantages of this model are explained as follows which directly contributes social welfare of the society (Uysal, 2020):

- reduction of public debt through off-balance sheet financing;
- faster launch of services and goods and faster completion of projects;
- orientation of free capital within the country;
- ensuring capital efficiency by taking advantage of the experience of the private sector in relevant matters;
- direction of international capital to infrastructure projects;
- risk sharing between public and private sectors;
- ensuring saving of resources and more efficient use of resources;
- reducing costs of goods and services by reducing operational costs;
- providing savings on services and investments.

The public private partnership model has both positive and negative aspects. The negative aspects of this model are explained as follows:

- the complexity of contracts concluded according to the PPP model may limit the scope of the model, as contract management must be performed by experts;
- securing some resources by borrowing from the private sector may increase resource costs;
- dominant foreign capital can cause public reaction;
- contracts signed under PPP are generally very long-term. This situation can reduce overall budget flexibility as it imposes a long-term payment obligation on the resource;



- information sharing in signed projects is kept as a trade secret. This situation can reduce the sense of responsibility;
- competition may remain low due to high costs of contracts signed under PPP;
- fundamental errors in contract design, such as incomplete and inadequate sanctions and misallocation of risks, can cause major long-term problems.

Based on the above, it is known that although the PPP model has positive aspects, it can also have negative aspects. Prevention of wastage of resources, implementation of projects that cannot be completed or left unfinished due to financing problems, provision of the highest level of public benefit, implementation of projects in accordance with needs, increasing the number of projects with social content are the positive aspects of the model. But if this process is not well managed, many negative situations can arise. For example, nepotism that interferes with business, failure of the public sector to maintain good supervision, negative effects of competition, prolongation of operations and reduction of public employment can result in negativism. In projects planned to be implemented according to public-private cooperation, advantages and disadvantages of the model should be evaluated. In this model, the main goal should be to increase the quality and efficiency of the service.

## CONCLUSION

In conclusion, the collaborative approach of public-private partnerships (PPPs) represents a crucial avenue for fostering social prosperity through the implementation of various social projects. As evidenced by the extensive adoption of PPP practices worldwide, particularly in developing countries since the emergence of New Public Management (NPM) in the 1980s, this model has significantly contributed to economic revitalization. By leveraging the synergies between the public and private sectors, PPPs facilitate the efficient production and distribution of state products, incorporating private sector principles and management methods. The widespread application of PPPs across sectors such as transport infrastructure, IT, water and waste management, telecommunications, railways, education, and health underscores its pivotal role in addressing societal needs and promoting social welfare. Therefore, fostering collaboration through PPPs stands as an effective strategy for advancing social prosperity and realizing sustainable development goals globally.

## REFERENCES

- Ekinci, E., Yılmaz, F. (2019). An evaluation on the impact of the private sector in the restructuring of public administration. *International Journal of Management and Social Research*, 6(11), 65-74. URL: [https://www.researchgate.net/publication/341180492\\_Kamu\\_Yonetiminin\\_Yeniden\\_Yapilandirilmasinda\\_Ozel\\_Sektorun\\_Etkisi\\_Uzerine\\_Bir\\_Degerlendirme](https://www.researchgate.net/publication/341180492_Kamu_Yonetiminin_Yeniden_Yapilandirilmasinda_Ozel_Sektorun_Etkisi_Uzerine_Bir_Degerlendirme) [ in Turkish].
- Ayhan, E., Önder, M. (2017). The new public service approach: a gateway to governance. *Gazi Journal of Economics and Business Administration*, 3(2). URL: <chrome->

- extension://efaidnbmnnnibpccjpcglclefindmkaj/https://dergipark.org.tr/en/download/article-file/314045 [in Turkish].
- Çevikbaş, R. (2012). New public management approach and practices in Türkiye. *Journal of Economics and Management Research*. Vol. 1. No. 2. P. 9-32. URL: <https://rb.gy/pcgedx> [in Turkish].
- Genç, F. (2010). New Public Management Approach. *Turkish Administration Journal*. (466). P. 120-130. URL: <https://dergipark.org.tr/tr/pub/isvehayat/issue/29032/310461> [in Turkish].
- Frederickson, H. (2016). Towards a New Public Administration. P. 315-327. URL: <https://shorturl.at/cqNO1>
- Akpınar, R. (2012). Public Administration Reforms in the Context of the New Public Management: the Romanian and Turkish Cases. *Journal of Yasar University*. URL: [https://www.academia.edu/67978863/Public\\_Administration\\_Reforms\\_in\\_the\\_Context\\_of\\_the\\_New\\_Public\\_Management\\_The\\_Romanian\\_and\\_Turkish\\_Cases](https://www.academia.edu/67978863/Public_Administration_Reforms_in_the_Context_of_the_New_Public_Management_The_Romanian_and_Turkish_Cases)
- Weikart, A. (2001). The Giuliani administration and the new public management in New York City. *Urban Affairs Review*. Vol. 36. Iss. 3. P. 359-381. <https://doi.org/10.1177/10780870122184894>
- Uysal, Y. (2020). An evaluation on the change and transformation of public services from classical public management to new public management and post-NPM. *International Journal of Management and Administration*. P. 112-155. <http://dx.doi.org/10.29064/ijma.680548> [in Turkish].
- Christensen, T., Legreid, P. (2002). A transformative perspective on administrative reforms. In: *New public management*. P. 13-42. URL: [https://www.researchgate.net/publication/268740628\\_A\\_transformative\\_perspective\\_on\\_administrative\\_reforms](https://www.researchgate.net/publication/268740628_A_transformative_perspective_on_administrative_reforms)
- Çolak, S. (2012). Private-public sector partnership in the perspective of the new public management approach (Unpublished Doctoral Thesis). İstanbul. P. 34-45 [in Turkish].
- Bayansar, R., Özer, M. (2021). Evaluations on the application areas of the public private partnership model in Turkey. *Dumlupınar University Journal of Social Sciences*. (68). P. 400-416. URL: [Evaluations on Models of Public Private Partnerships Scope of Application in Turkey](#)

Received on February 12, 2024

Reviewed on February 27, 2024

Revised on March 04, 2024

Signed for printing on March 25, 2024

Надійшла 12.02.2024

Прорецензована 27.02.2024

Доопрацьована 04.03.2024

Підписана до друку 25.03.2024

Мурад Теймуров, канд. екон. наук,  
Академія державного управління при Президенті Республіки Азербайджан  
вул. Лермонтова, 74, Сабаїльський район, AZ1001, Баку, Азербайджан

#### СИНЕРГІЯ ДЕРЖАВНОГО І ПРИВАТНОГО СЕКТОРІВ ДЛЯ СПРИЯННЯ РОЗВИТКУ СОЦІАЛЬНИХ ІНІЦІАТИВ

Здійснено огляд еволюції парадигм державного управління, зосереджено увагу на переході від класичного державного управління до нового публічного менеджменту (НПМ) і появі державно-приватного партнерства (ДПП). Розглянуто, як НПМ, що виник у 1980-х роках, для підвищення ефективності й результативності державних послуг запозичував принципи приватного сектору. До ключових особливостей НПМ належать децентралізація, підвищена підзвітність і сильний акцент на результатах і показниках ефективності. Концепція державно-приватного партнерства виникла як відповідь на обмеження політики приватизації і передбачає співпрацю, за якої поділяються як ризики, так і відповідальність між державним і приватним секторами для надання послуг або реалізації проєктів. Простежено історичний розвиток ДПП і висвітлено його широке впровадження в різних секторах у всьому світі, таких як інфраструктура, охорона здоров'я і освіта.

ДПП має на меті з використанням переваг обох секторів поліпшити надання послуг і реалізацію проєктів, пропонуючи більш гнучкий та інноваційний підхід до державного управління. Підкреслено значення цих парадигм у формуванні сучасного державного управління і показано, як НПМ і ДПП змінили ролі, обов'язки й методології у галузі, що в цілому засвідчує перехід до більш динамічних, гнучких і орієнтованих на результат підходів в управлінні державним сектором, що відображає ширші тенденції в управлінні й державній політиці.

**Ключові слова:** державне управління; співпраця; інфраструктура; зайнятість; соціально-економічний розвиток; соціально-економічні проблеми.