

THE PRIORITY DIRECTION OF ECONOMIC DEVELOPMENT IN THE SPHERE OF INNOVATION THE FACTOR OF PUBLIC-PRIVATE SECTOR COOPERATION

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ABSTRACT

Such a vital trend for the economic development of innovation, as the above-defined cooperation between the public and the private sectors, mere fact becomes possible only due to such a symbiosis. The symbiosis of two fundamentally oppositional structures creates a context in which a unique ecosystem, propelling innovation and economic improvement, can be facilitated. On the one hand, the public sector brings an incredible insight into regulation capacities and significant funding utilities. The issue that arises in this partnership is a market failure when none of the sectors can encourage technological development on their own. A partnership, however, does help to establish innovation hubs, encourage research and development, and facilitate commercialization. Governments through adjusting public policies to the private sector and indulging in joint ventures overcome market failure and stimulate innovation. Such partnerships also beneficial in addressing societal problems via innovation, thus, at the long-run level, private and public unions become a necessity.

Keywords: Economic Development, Innovation, Public-Private Sector, Cooperation

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INTRODUCTION

In an era of rapid technological advances and changing economic landscapes, public-private sector synergy has become a key source that drives innovation. Governments and companies are expanding not only their involvement in this dynamic global market but also have an increased need for effective intersectoral cooperation. This collaboration, often referred to as public-private sector cooperation, serves as a driving force for economic development by creating an environment in which innovative solutions can prosper.

The importance of this cooperation is emphasized by the fact that it makes good use of the two sectors' distinct strengths. Public institutions, with their emphasis on long-range planning and regulation, provide just the kind of stable environment needed for innovation to arise and grow. On the other hand, private businesses, driven by market incentives and competition pressures, bring agility, expertise, capital investment to this process. When these strengths are combined, the result is a powerful engine for economic growth and technological progress.

This article delves into the vital role public-private sector cooperation plays in innovation. How such partnerships can cross traditional barriers to innovation, speed up research and development of advanced technologies, and meet the urgent demands of society is of interest. We also hope through case studies and best practices to spotlight the transformative potential inherent in these partnerships, as well as convey some of their key insights for achieving optimal effect.

LITERATURE REVIEW

Entitled " Public-Private Partnership Corporate Practices Numerical Analyze and Outlook and Turkish Model: Public-Private Partnership corporate practices and their impacts on economic and social development is the **2023 study by Recep Emre Erichok**. The article especially emphasizes how PPP applications meet this need as infrastructure investment grows in importance internationally and domestically in Turkey, offering a global analysis of PPP projects; then turns to look at particular instances in Turkey using all-local numeric data for that stage in this large work.

A project which is conducted jointly by the government and private sector is called public-private-partnership, and these applications are seen as a key auxiliary in helping infrastructure projects. In the past 30 years of its basic usage the country has made wide use of this model. This is very important in both financing and administering various projects. In some depth the article elucidates the conceptual frame work of PPP, and sets out its basic principles and objectives.

In this sense, the article was the result of an examination of PPP 's numerical action in today's world and also in Turkey. A cross-sectional of PPP projects in Turkey and abroad wats through the following: their weaknesses strengths both compared.

The article concludes that in its own way Turkey's PPP practices are unlike the models observed in other nations. In note it says the financial risk management operations of people in situations have to be improved out--as well as statistics, records and fiscal cleanness. It is pointed out that financial risks faced by many PPP projects have increased because of contingent liability. In view of this, advice like giving contingent liabilities in Turkish Lira instead of foreign currency; avoiding long-term guarantees and presenting guarantee information publicly in an honest, regular manner are also mentioned above. It is further stated that all guarantees should be given by a single institution and resources are used effectively as well as transformed into productive investments.

Last but not in the sense of conclusion, this article feels that PPP corporate practices in Turkey can contribute even more to economic performance if they are managed better. Successful implementation of reforms and suggestions will help us to draw more from the potential benefits of PPP projects as well as reducing economic debates. This would be major step toward increasing Turkey's economic performance (Erichok, 2023).

According to another **study conducted in 2012**, public investment strategies were significantly affected by the aim of Turkey to be among the world's top 10 economies by 2023. The government especially in infrastructure has worked very closely in recent years for public purposes.

This change was the result of a privately led development model adopted in the 1980s, which led to decreased public investment in the industrial sector and increased attention on infrastructure projects. The remainder of this article looks at the metamorphosis and role of Public-Private Partnership (PPP) models in Turkey. It contrasts them with how things work internationally, then investigates all that is necessary to see if public investments mandatorily support these initiatives.

Turkey shifted to a development model that was focused on the private sector during the 1980s. While this led to a sharp decrease in industrial-sector public investment, infrastructure investment found pride of place near the top of central budgeting.

In recent years, large scale infrastructure projects in transportation, irrigation and energy have amounted to as much as 90% of national investment. With quicker economic growth offering the public many benefits over private investors, Turkey is increasingly turning to alternative ways for financing infrastructure investments such as Public-Private Partnerships (PPP).

From the first energy-sector PPP project in 1986 Turkey has seen numerous projects throughout various sectors. Further these projects have been authorized by the High Planning Council and cover all sorts of initiatives ranging from energy and transportation to customs installations and industrial plants.

But the main thrust of this article is to trace the history of these PPP projects from their earliest days up to now, and to investigate how they are distributed over different years, sectors and models. Comparing the relative technical efficacy of various PPP models against traditional public investments also comes under heavy scrutiny.

The analysis not only by the Year, sector model and so on those PPP projects distribution in detail, whether PPP has indeed brought about a completely new era for us may well be of particular interest.

Deconstruction has shown that the success of PPPs varies across sectors and types of projects, with sometimes striking contrasts in performance.

Turkish PPP legislation takes on a fragmented arrangement. Each model having its own laws and regulation is a feature of PPP law in Turkey. This article analyzes the legal framework of PPPs, highlighting the difficulties raised by their fragmentary nature. Also, it looks at recent changes in the law and their effects, giving an idea of how these reforms have been affecting implementation and success in PPP projects.

The study concludes by summarizing the status of PPP projects and offering advice for future work. It points out trends and stereotypes that will process of various kinds PPP projects assumes more definitively than ever before in the next few years; and changes to improve both in efficiency and success of these occasions. By comparing Turkey to global practices, this article furnishes valuable reference for people working in PPP.

This article is an effort to present a comprehensive dataset of Turkey's PPP practices, with discussion on their development, challenges and impacts. Aimed at professionals and policy makers involved in capital construction and infrastructure development, this very material provides helpful references for those working at the front line (Yatırım Programlama İzleme ve Değerlendirme Genel Müdürlüğü, 2012).

This paper, written by **Selman Sacit Boz in 2013**, is a discussion of the forms of state which have resulted in cooperation with private enterprise to develop classical public services and the new sorts contracts used in this process. It is pointed out that the state has developed different intentions and ways of doing things in the historical process concerning transferring public services to private legal entities. The newest variety of its kinds over time, now defined as "public-private partnership" (PPP) model. This form of cooperation involves the provision by the state of public services together with private enterprise.

The paper is to ascertain legal framework for PPP model and to analyze its advantages and disadvantages. This model has been extensive doctrinally discussed, but this paper hopes to add something to these discussions offer some proposals for solving obstacles that hinder wider use of PPP model. Effective enforcement of the PPP model requires familiarity with the legal aspects and assessment of operational results. The study therefore seeks to provide an overall look at public private partnership model in both its legal and practical aspects by current questions (Boz, 2013).

METHODOLOGY

Azerbaijan's government is establishing policies and measures, like tax concessions available for research and development subsidies to start-ups, and by doing so, it hopes to support innovation. Today, private companies are being used for public works projects with participation from the private sector. Azerbaijan uses the investment and experience in technology that come from private businesses to improve its ability to make things.

The partnership with private companies and international organizations to establish innovation hubs and business incubators helps a startup and establish an entrepreneurial ecosystem. Publicly funded technology and innovation projects involve joint work between government and private enterprises. Private expertise is mobilized to support government-directed research cutting-edge technologies. New educational programs have tended to focus on raising worker skill levels (Erichok, 2023).

These typically use cooperation between higher learning institutions and their business partners to provide businesses with a workforce tailored for new industries. Azerbaijan is increasingly interested in international cooperation to bring both expertise and capital into the country, making its innovation landscape still broader. In support of such resource-intensive projects it is, indeed, appropriate that the Azerbaijani government emphasizes quality and continued infrastructure development.

1. The amount of investments made available through cooperation between the government and the private sector. This irreducibly slow can include capital for research and development projects (R&D).

Types of economic activities	Total	2021			Total	2022		
		Micro	Small	Medium		Micro	Small	Medium
Total for types of economic activity	3,387,688.5	-	892,671.4	788,849.8	2,827,135.9	857,113.1	955,100.1	1,014,922.7
of which:								
Agriculture, forestry and fishing	88,453.7	11,267.6	56,459.2	20,726.9	110,636.5	33,138.4	40,230.7	37,267.4
Industry	253,832.6	26,761.1	15,954.9	211,116.6	511,702.5	15,089.7	22,032.5	474,580.3
Construction	1,134,179.3	709,528.3	130,867.4	293,783.6	1,203,724.0	668,290.7	276,763.8	258,669.5
Trade; repair of transport means	51,382.2	2,810.0	13,260.2	35,312.0	25,228.8	1,775.7	8,889.4	14,563.7
Transportation and storage	122,120.3	62,015.4	6,615.0	53,489.9	46,247.8	359.2	3,137.7	42,750.9
Accommodation and food service activities	39,519.5	27,817.9	11,195.3	506.3	52,746.8	14,259.9	36,562.4	1,924.5
Information and communication	4,809.6	35.4	820.6	3,953.6	35,135.4	12.2	304.2	34,819.0
Real estate activities	829,587.9	736,244.6	1,815.1	91,528.2	164,772.0	88,078.6	30,427.0	46,266.4
Education	518.8	66.6	6.2	446.0	3,484.8	6.5	17.6	3,460.7
Human health and social work activities	7,166.9	960.8	2,265.5	3,940.6	63,540.4	636.6	4,043.2	58,860.6
Other branches	856,117.7	128,659.6	653,412.0	74,046.1	609,916.9	35,465.6	532,691.6	41,759.7

Table 1: Investments in public-private sector cooperation

Source: State Statistical Committee of the Republic of Azerbaijan. Entrepreneurship in Azerbaijan, 2024

According to table, public-private cooperation is critical to economic development, which now depends increasingly on innovation. Combining the strengths of the two sectors in this way offers unique opportunities for growth and progress.

Recent data shows diverging trends in economic activity, with industrial and construction sectors displaying substantial growth contrasted by sagging trade and delivery sectors. Micro-, small and medium-sized players in these areas significantly impact overall economic performance and innovation.

By incorporating public sector infrastructure and regulatory support with private sector efficiency and expertise, public-private partnerships (PPPs) pave a fertile breeding ground for innovation.

As sector-specific problems solving models, PPPs can help with integrating environmental practices into the construction industry and developing new forms of logistics services.

Joint research, development and technological breakthroughs throughout different fields are not merely drivers of general economic growth but also give rise to competitive advantages.

Through PPP, innovation trends to merge with the sustainability objectives of an enterprise. Such a company would be able to develop its business on the model for environmentally sound and efficient management.

2. The financial support; tax breaks; other government-funded programs can be seen as an indicator for evaluating how effective government policies and promotion efforts actually are.

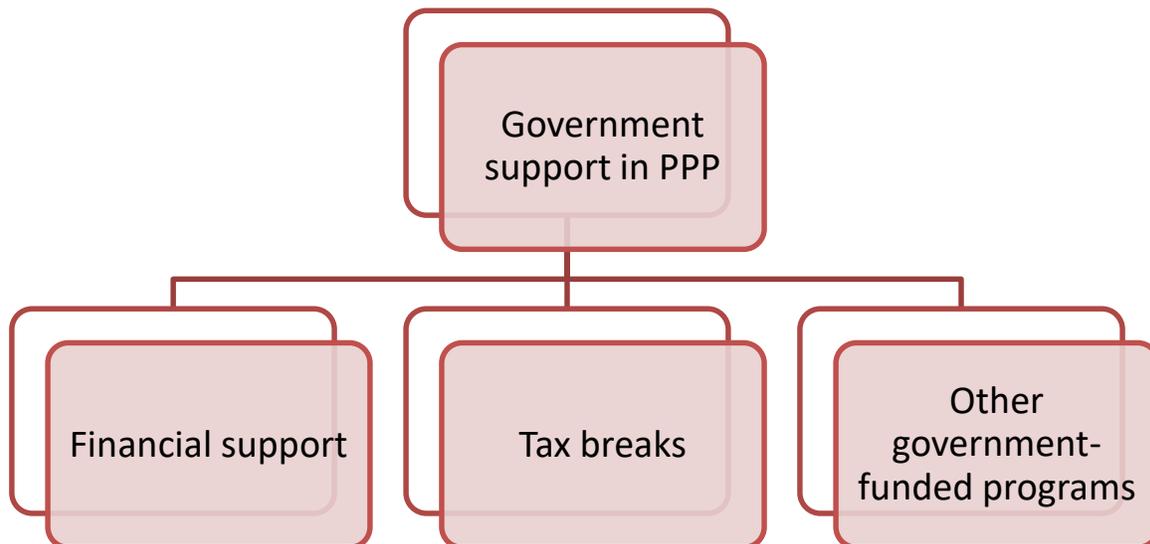


Figure 1: Government support in PPP

Source: prepared according to Dilqəmli, 2022

Expanding the liberal economy, ensuring the sustainable development of small and medium-sized businesses and, as a result, increasing the profitability of the private sector and the production of consumer goods are considered one of the priority directions in Azerbaijan. "2030: national priorities for social and economic development" approved by the Decree of President Ilham Aliyev is a legal framework that includes the limitation of the hidden economy and the expansion of the liberal economy. The successful results of the purposeful policy conducted by the head of state in the mentioned sector as well as in every other field suggest that in the near future we will witness successes and achievements in the promotion of free entrepreneurship and liberal economy. In this regard, it should be noted that the liberal economy, which is considered one of the most important factors for the creation and formation of a competitive environment, leads to the creation of a competitive environment in Azerbaijan.

It is gratifying that in Azerbaijan this field has developed enough to be an example. The competitive environment in our country is fully transparent. With this, the conditions for entrepreneurship and the business environment are equally provided for everyone.

By the way, a number of concessions and exemptions were defined in the changes made to the Tax Code. In the changes made in the Tax Code at different times, a number of concessions and exemptions for profit, income, property, land taxes and VAT related to the activity of industrial and technology parks have been determined in order to minimize the risks of taxpayers, establish tax relations based on partnership principles, and stimulate innovative entrepreneurship.

The State Tax Service said that, especially in recent years, significant changes have been made in the tax legislation in the direction of promoting the activities of entrepreneurs. Residents of industrial parks are exempted from property tax, land tax, income or profit tax for 10 years from the date of their registration, VAT on the import of machinery, technological equipment and facilities imported for production purposes, and customs duties for 7 years.

It was noted that these stimulating measures gave an important impetus to the activity of industrial parks. Residents have saved more than 428.6 million manats by August of this year as a result of import VAT and customs concessions applied to industrial parks under the management of Economic Zones Development Agency. Concessions cover other areas as well.

As a result, the tax reforms of recent years have been calculated to provide tax incentives that support the wider application of innovations, the state's industrialization and investment attraction policy.

It is the result of all this that free entrepreneurship and liberal economy in Azerbaijan are developing year by year. This gives a serious impetus to the sustainable development of the country's economy.

3. Number of new employment opportunities opened up by public-private sector cooperation. This may reflect changes in the job market.

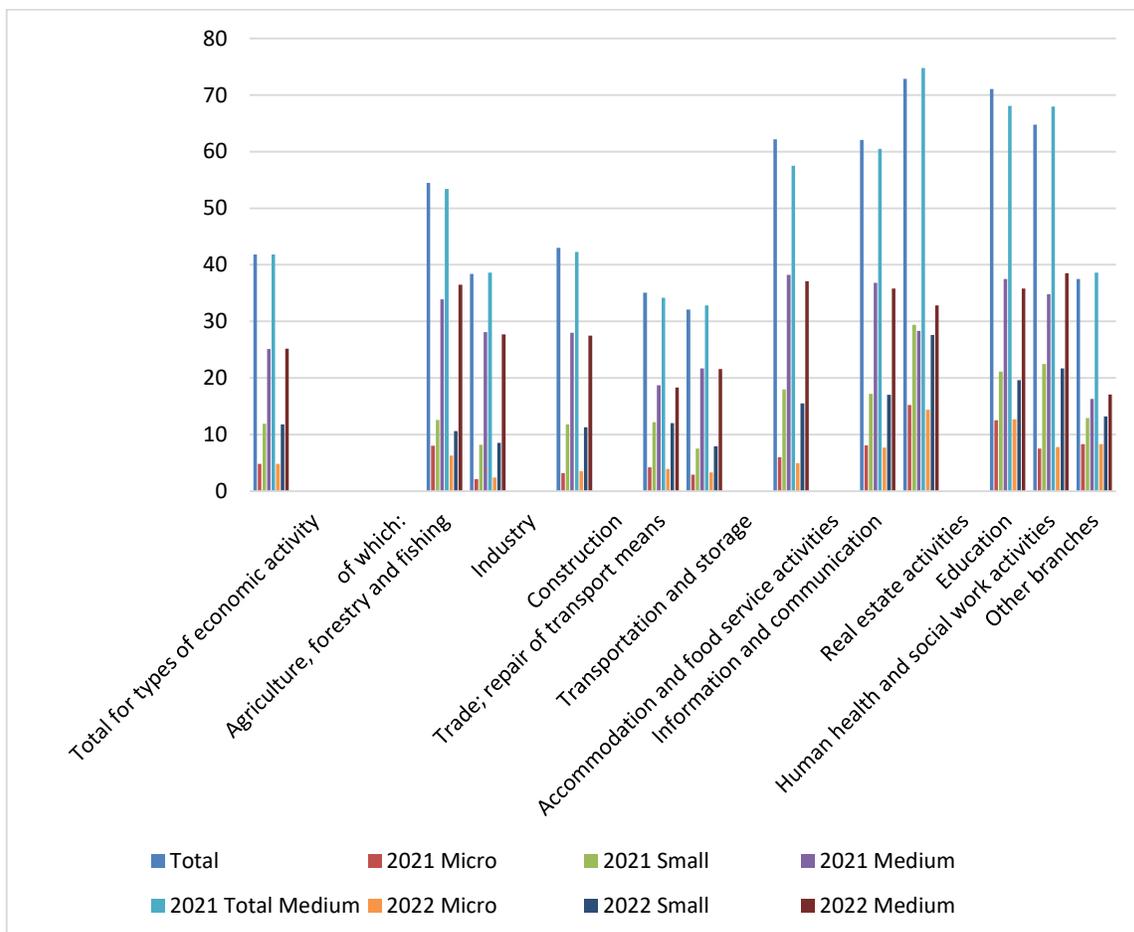


Chart 1: Employment in PPP

Source: prepared according to State Statistical Committee of the Republic of Azerbaijan. Entrepreneurship in Azerbaijan, 2024

As a conclusion, the years 2021-2022 can provide valuable insights to how cooperation across different sectors and sizes of firms can shape employment trends. The apparent stability in employment for micro and small enterprises, combined with moderate growth of medium enterprises within particular sectors, highlights just how dynamic the jobs market is. Public-private partnerships are key to shaping these trends. Private-held companies will be even more necessary for employment, and the direction of public policies favoring cooperation between this side and an eventually relatively partial emergence of well-off public sectors will likely further expand. By focusing on emerging sectors and, at the same time, maintaining a balanced development among different industries. This is how government can create an all-inclusive jobs market which benefits everyone in a national economy (Aslanov, 2005).

These statistics are useful for tracing the role and impact of public-private sector cooperation in innovation.

DISCUSSION

Public-private collaboration has become a key strategy to push forward economic development and innovation and This method brings a combined strength from both sectors and creates a livelier economic environment with more stability over time. Public-private partnerships (PPPs) on the other hand bring with them a more precise investment direction. This sector in particular has shown substantial growth of investment, and it is expected that such trends will make an important contribution to overall development (Niftullayev, 2004). In recent years diversified investments in agriculture, real estate development and the information industries have also served demonstrate just how extensive this cooperation can be. Large increases in investment in such areas as the industry and building trades suggest a concentration on infrastructure and industrial capacity. These are crucial for the long-term stability and growth of a national economy. Changes from one area to another in terms of levels of investment point to changes in priorities and give warning of new opportunities. For example, the drop from a 52% share down to 39% is for investments in trade and transportation. Government policies and fiscal support are crucial to boosting the effectiveness of public-private cooperation, Incentives like tax breaks, subsidies and duty exemptions play a key role in inducing the private sector to invest and innovate (Həsənov, 2009).

Public-private partnerships expand economic activities and their support new industries create jobs. PPPs play a role in setting labor market trends, as evidenced by stability in employment for micro and small-sized enterprises while there is growth in medium sized companies. And by giving more attention to development of new sectors and balancing development across the board, public-private cooperation helps creates a job market that is more inclusive and resilient in the future. In sum, public-private sector cooperation has emerged as the very cornerstone of modern economic development strategies, both sides work together and unite their respective strengths to bring about growth, innovation as well as overcoming particular issues in individual sectors.

CONCLUSION AND RECOMMENDATION

Public-private partnerships and the economic development Created through collaboration of this kind, PPPs creatively align investment with a new round of growth. They provide sustained employment opportunities and, in each turn, old skills are hidden behind new tasks by a different challenge.

Significantly increased industrial and construction investment shows a strategic approach to economic development. However, large irregularities between sectors reveal areas which are under strategic restrictive intervention of market forces. The central government should step in with policies to ensure that these areas can return their strengths for export.

When state support for capital formation combines with tax concessions, it is like a flood gate opening up new space which previously lay out of reach. In this way, the present policies have helped bring down barriers for entrepreneurs' investment in designated industries.

In accordance with their roles and functions, PPPs make a basis on which employment patterns are established. Micro- and small enterprises growing steadily create intermittent openings towards medium-sized sectors.

Recommendations

To address these disparities, we believe it is crucial the government revitalize those areas receiving less investment such as commerce and transportation. We need new kinds of tools or methods for revitalizing China's marketplace so that once again it can grow block by with no exclusive oppressors setting all the rules.

Current tax incentives are effective but expanding these incentives further and making them diverse can attract even more private sector investment. When the list is already too long on an official's desk, it takes extra effort just to read through it.

To institutionalize cooperation between the public and private sectors with a clearer division of responsibilities public-private partnerships need a more complete, coordinated institutional framework this includes setting up well-defined rules and standards. It also calls for supporting measures.

Integrate research institutions, start-ups and established businesses into innovation ecosystems. Through establishing partnerships between them technological advances can be driven forward and job opportunities created as a result.

By implementing these recommendations, all stakeholders will be able to improve the effect of public-private cooperation in each area of employment; promote technological progress and at last achieve sustained economic development.

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