

Public-Private Partnership Consortium: Digital Skills Building 4 Karabakh

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Introduction: Bridging the Digital Divide for the Development of Karabakh

The global COVID-19 pandemic heralded an unprecedented scale of digital technology use. As the lockdowns of 2020 and 2021 forced people to turn to e-learning, remote work, online shopping, and other e-services, the digital world became an even more inexorable part of daily life – albeit for those with digital literacy skills and access to technology.

While the pandemic has led to accelerated digitalization in countries with some degree of infrastructure, it has also revealed profound digital inequalities, particularly within developing countries. In Azerbaijan, approximately 78% of the population used the internet in 2016 (mainly mobile internet), which makes it one of the countries with the highest levels of internet access (ADB, 2019). Paradoxically, however, small and medium enterprises (SMEs) and the general population still have low digital literacy levels (ADB, 2019). Knowledge of e-trade and e-payment systems are limited, with one in twenty Azerbaijanis (5%) purchasing something online in 2017, compared with 24% worldwide (World Bank, 2021). There is also a digital divide between rural and urban areas in Azerbaijan, with a fixed internet penetration gap of 20% between rural and urban households (World Bank, 2021).

Within its strategy of economic diversification, the Azerbaijani government aims to revitalize rural economies by utilizing technology and innovation. As part of its quest for economic diversification and enabling more equitable growth, the government has placed a high priority on digital development and innovation (World Bank, 2021). This agenda has taken on increased urgency following the Second Karabakh War in 2020. As part of the post-conflict reconstruction of Karabakh, Azerbaijan has accelerated its ambitions for the development of Smart Cities/Villages and for the return of IDPs

to their homelands.¹ Yet the massive reconstruction and resettlement of IDPs through the Smart City/Village concept presents challenges to both the Azerbaijani government and the IDPs, due to financial shortages, inefficient governance, limited innovation, and weak digital skills (Valiyev, 2021).

By improving its digital connectivity, Azerbaijan has the potential to improve sustainable economic growth, access to online services, and e-governance (World Bank, 2021). In light of objectives for the resettlement and redevelopment of Karabakh, it is essential to address the existing digital obstacles of online service provision and employment skills of returning IDPs, public administrations and businesses in the region. Doing so also has the potential to increase economic engagement and reduce precarity among vulnerable populations, particularly among those disproportionately impacted by the COVID-19 pandemic in Azerbaijan – which in addition to IDPs include women, daily wage earners, youth, children, people with disabilities, and senior citizens.² The intersectionality of these social groups exacerbates the impact of the pandemic on IDP communities.

Unemployment remains the top issue for lifting IDP communities, and particularly IDP women, out of poverty. According to official statistics (2020)³, 57.5% of the unemployed in Azerbaijan are women. However, research indicates that this number is much higher for IDP women. In 2021, the “Women's Empowerment for Sustainable Development” Public Union published a report titled “IDP women: needs assessment for post-conflict life, including expectations for safe return home” which analyzes the ongoing challenges and concerns in the lives of IDP women and girls.⁴ The findings of the study revealed a diverse set of needs for IDP women, from personal safety to urban-to-rural resettlement challenges, posing significant social and economic implications. According to the survey findings, the majority of respondents (81.25%) considered themselves healthy and stated that they did not have any serious health issue or disability that would limit their employment capacity. However, some 70% of respondents remained unemployed at the time of the survey (2021). Many IDP women (43.15%) live on allowances and other forms of financial support as a result. Two-fifths of respondents objected to the size of their monthly income, saying it was too small to cover their basic needs, while a lower proportion of women stated that their daily essentials were met only partially. The high unemployment rates among respondents can be characterized as missed opportunities – economic and otherwise – for these women and their communities.

¹ About 612,000 people, or 15 percent of the Azerbaijani population, were internally displaced during the First Karabakh War (1988 – 1994). There are now an estimated 735,000 internally displaced persons (IDPs) in Azerbaijan due to the first and second wars (IDMC, 2020). Most IDPs now hope to return to their homelands (WESD, 2021).

² UNFPA/UN Women (2020), Rapid Gender Assessment of the impact of COVID-19 on the lives of women and men in Azerbaijan.

³ The State Statistical Committee of the Republic of Azerbaijan Report for 2020 (Employment and Unemployment in 2020). <https://www.stat.gov.az/source/gender/>

⁴ Women's Empowerment for Sustainable Development Public Union, “IDP women: needs assessment for post-conflict life, including expectations for safe return home”. Baku (Azerbaijan), 2021. The survey covered 590 IDP women and girls, ages 18-50, temporarily settled in Baku and Absheron (Khirdalan city), as well as Saatly, Bilasuvar, Fuzuli, and Beylagan rayons.

To increase the economic opportunities of IDP communities and maximize the potential of local innovations and technologies, Azerbaijan must improve the IDP population's digital literacy – as well as close rural-urban digital gaps – through formal and informal education (World Bank, 2021). Implementing these policies will require considerable human and financial capital, as well as an enabling legal framework and political will.

This policy paper presents Public-Private Partnerships (PPP) as an effective model for advancing the digital literacy of IDPs in post-conflict Karabakh, notably by mobilizing human capital and increasing access to private finance for the design and implementation of digital inclusion strategies that support the Government's agenda for the development of Karabakh. By leveraging the knowledge and resources of the private sector, PPPs can help to improve the digital literacy of IDPs while also providing an overall boost to the digital infrastructure within the region.

In sum, the PPP model can promote the development of competitive human capital and innovation, as well as facilitate implementation of the reconstruction of Karabakh by:

- a) Fostering digital literacy and digital skills building among IDPs, helping to achieve the state agenda and objectives in its Smart City/Village concept and Karabakh reconstruction plans.
- b) Supporting the country in building economic and societal resilience through digital development, enabling Azerbaijan to take advantage of digital advancement opportunities following the COVID-19 pandemic.

Yet an ambitious digital skills-building agenda cannot be achieved by one-off PPP projects. A comprehensive and coordinated portfolio of projects encompassing multiple actors is needed. Currently, however, there is no centralized institution responsible for management, risk estimation, monitoring, and reporting related to PPPs in Azerbaijan (PwC Azerbaijan, 2019). To fill the institutional gap, this paper proposes to establish a **PPP Consortium: Digital Skills Building 4 Karabakh (PPP Consortium)**, which will coordinate a broad portfolio of cross-governmental and private stakeholder collaboration for implementation of a multifaceted digital skills-building agenda.

Potential institutions that can engage in coordination/resource mobilization across governmental, private sector, and other stakeholders

The PPP Consortium could be led by the State Agency for Public Service and Social Innovations that reports to the Presidential Office. Under the Consortium, the key role of the Agency would be to bring together partners in support of PPP initiatives. Examples of potential Consortium partners include but are not limited to:

- **cross-governmental** – Ministry of Digital Development and Transport, Ministry of Education, Ministry of Economy, the State Committee for Refugees and IDPs, Ministry of Labor and Social Protection of Population.

- *private stakeholders* – national and multinational tech/software companies, and other industrial companies, including companies working in mining, oil-gas, banks, insurance, production, and transport/logistics.
- *non-governmental organizations* – formal and informal academic institutions, CSOs working in capacity building and digitalization.

Ensuring transparency and good governance

The PPP Consortium would ideally engage a UN agency (World Bank or UNDP) as the international entity to oversee project implementation and ensure good governance. Local NGOs, M&E and audit companies, and other actors would be involved from the initial project stages through completion to ensure that resources and time are used efficiently. To keep responsible partners accountable and ensure clarity and openness in decision-making processes, the PPP Consortium would engage all stakeholders in such processes and publish quarterly/annual progress narratives and financial reports.

Public funding of the PPP Consortium

The projects encompassed by the PPP Consortium would align with the “EU4Digital” initiative of the European Union, which extends the EU's Digital Single Market to Eastern Partnership countries, including Azerbaijan. Through the EU4Digital initiative, the EU fosters the development of the potential of the digital economy and society in Eastern Partnership countries so they can grow economically, create jobs, improve people's lives, and boost businesses. The EU can therefore be an important financial partner for putting the PPP Consortium into practice.

Incentives for private entities to participate in the PPP Consortium

Instead of short-term financial returns, private partners will benefit from the projects under the PPP Consortium in the form of long-term capital return through market-driven quality skills, increased use of technology, and innovation-driven growth. Other benefits include:

- **Access to assets** – private entities can own and operate facilities to deliver services to the public.
- **Access to technology, people, and skills** – private entities can create an enabling environment to promote and deliver products and services to a wider-range population.
- **Involvement in Karabakh rebuilding and reconstruction projects and services.**

Primary risk categories and associated mitigation strategies for PPP implementation

Risk: Traditional concepts of risk allocation and value for money will be used as metrics for success. Risk allocation as a value for money driver is usually applied to infrastructure-based PPPs,

where risks borne by the public sector are transferred to the private counterpart. This creates an incentive for state counterparts to engage in risk management to achieve a financial return. However, since infrastructure PPPs are intended to serve business and market development goals, financial metrics for success are not necessarily applicable to strategy/program partnerships and can be misleading. The return on investment for the PPP Consortium is the combined benefits of market-driven digital skills, increased use of technology, and innovation-driven growth. Partners should instead design impact assessments to measure the opportunities for economic and social growth created by the PPP Consortium.

- *Mitigation strategy: It is important to create a shared understanding between partners about the goals, objectives, deliverables, and timelines of projects under the PPP Consortium, and how best to define metrics for success in light of these. A well-designed results matrix with smart outputs and indicators can help to manage the expectations of partners and the public.*

Risk: The government will shift its core responsibility of providing education to the private sector. Education is a fundamental public good and governments are directly responsible for ensuring universal access to education, equity, and the inclusion of disadvantaged communities. This responsibility is reflected in Goal 4 of the 2030 Sustainable Development Agenda: “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all” (United Nations, 2015). Because the PPP consortium envisions sharing responsibility for the provision of education with the private sector, gradually the role of the state in ICT education may gradually become confined to that of a regulator and a service procurer, causing the government to lose its hold on the shape and content of education (Steiner-Khamsi and Draxler, 2018).

- *Mitigation strategy: According to the Constitution of Azerbaijan and the UN Declaration of Human Rights, the Governments are ultimately responsible for the provision of universal access to education. Even if the private sector takes the lead in ICT education in Azerbaijan, the Government will remain the regulator and can implement education quality assurance mechanisms to ensure accessibility, affordability, inclusivity, and quality of ICT education in the country.*

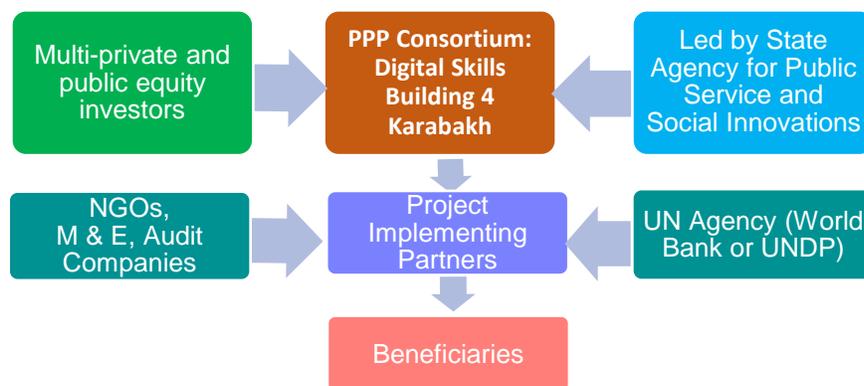
Risk: The multi-stakeholder nature of the PPP Consortium may increase operational and political risks. The PPP Consortium is not a contractual agreement forged between a public entity and single private company. Rather, the Consortium would involve a portfolio of private and public organizations, which may lead to operational and political risks due to its complexity. **Operational risks** may include interruption of asset availability such as insufficient technical equipment or lack of predictable funding. These risks could negatively affect timelines and deliverables, leading to program interruptions and increased cost of operations. **Political risks** may stem from the multi-partner nature of this PPP, since traditionally in Azerbaijan one ministry works with one private sector partner. Working across multiple government and private sector partners may inadvertently result in poor communication and coordination, resulting in political decisions that adversely affect the project.

- *Mitigation strategy: Due to its multi-partner nature, the PPP Consortium requires even more attention to its planning and operationalization and M&E processes than traditional PPP arrangements. All of these processes should be inclusive, transparent, and consultative.*

Risk: Due to advances in Information and Communications Technology (ICT) science, demand for PPP services and products may decrease. As a result of technological advances and the adoption of technology at increasingly younger ages, users may find alternative ways to develop ICT skills. Companies may decide to ramp up their ICT capacity building initiatives, or advances in technology science may allow for people to learn faster than they used to.

- *Mitigation strategy: Remaining at the forefront of innovation should be a core objective of the PPP Consortium. Projects under the Consortium should endeavor to include the latest technology and learning science in order to cater to future job markets.*

Recommended Structure for the PPP Consortium: Digital Skills Building 4 Karabakh



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