

## FINANCING PROJECTS IMPLEMENTED ON THE BASIS OF PUBLIC-PRIVATE PARTNERSHIP

Khaydarova Charos

Teacher, Department “Valuation and investments”,  
Tashkent Institute of Finance, Tashkent city, Uzbekistan  
E-mail: khaydarovacharos3@gmail.com

ABSTRACT	KEY WORDS
In this article, the main task of public-private partnership is the effective interaction of public and private partners for the stable socio-economic development of Uzbekistan, and the main mechanisms for attracting private investments at the expense of attracting public and private partner’s resources to the economy. Opinions of foreign and local scientists are given on the term private partnership. Also, the article presents the practice of establishing a public-private partnership in the world experience and the analysis of projects financed on the basis of public-private partnership in Uzbekistan.	public-private partnership, financing, investment, cooperation, project, project financing, investment attractiveness, project risk.

### Introduction

International experience gathered in recent years shows that one of the main mechanisms for expanding the resource base and mobilizing unused resources for economic development and increasing the efficiency of state (society) property management is public-private partnership (PPP).

The public-private partnership mechanism is widely used in most sectors of the economy in all developed countries of the world. Great Britain, Germany, and the United States are leading the public-private partnership. Public-private partnership projects are also developing in other countries, such projects in the CIS countries are developing in the Russian Federation, Kazakhstan, Kyrgyzstan and other countries.

In the development strategy of the President of the Republic of Uzbekistan for 2022-2026, “From 2022, on the basis of public-private partnership, the creation of infrastructure such as sports and cultural facilities, creative clubs, employment assistance and training centers, business facilities in the territory of the neighborhood implementation of measures, expansion of public-private partnership, energy, transport, health, education, ecology, communal services, water management and other sectors on the basis of public-private partnership equal to 14 billion US dollars it is planned to attract investment” [1].

Investment practice shows that in the most common models of public-private partnership there is a problem of risk distribution between the parties participating in the partnership. Because the long-term

period of providing services is determined not by the will of the state, but by the need to return private sector investments. In addition, the diversity of contract forms only legally strengthens the obligations of the parties directly related to the distribution of responsibility and risks. Therefore, the issues of effective use of investments on the basis of public-private partnership are important and require in-depth research in this field.

## 2. Literature Review

Economist E.R. Yescomb believes that in recent years, through public-private partnerships, the purchase and maintenance of public sector infrastructure, transport (roads, bridges, tunnels, railways, ports, airports), social infrastructure (hospitals, schools, prisons, Social housing), communal services (water supply, sewage treatment, waste disposal), government offices and other accommodation and other special services (communication networks or defense equipment) are increasingly being financed [2].

E.A. Dynin notes that “public-private partnership is a process of combining material and non-material resources of society (state and private sector) on a long-term and mutually beneficial basis to create social benefits or provide social services [3]”.

Also, S.S. Chernov believes that “public-private sector cooperation is a special form of long-term cooperation between the state and business in order to implement socially significant investment projects aimed at the development of transport, energy and social infrastructure [4]”.

Public-private partnership is a type of cooperative agreement, which means the partnership of two or more representatives of the state and private sector in investment, infrastructure, innovation projects, as well as socio-economic, scientific, as well as programs of state importance. The term “public-private partnership” describes a number of economic relations between public and private enterprises and organizations within the framework of infrastructure and other services. Other concepts used in the process of such economic relations include the concepts of private sector participation (Private Sector Participation) and privatization (Privatization), but there are certain differences between these concepts [5].

The analysis of existing publications shows the need to approach the understanding of the nature of public-private partnership in a broad and narrow sense. First of all, public-private sector partnership is any kind of mutual cooperation between the state and business. Secondly, public-private sector partnership is understood as mutual cooperation between business and the state in the process of implementing strategic, nationally important social projects [6].

According to U.I. Djumaniyazov, “Public-private partnership is based on the long-term strategic tasks and goals of the state within the framework of current laws, based on the distribution of various economic, political, social, cultural and other risks, risks, and risks that may arise It is the literally mutually beneficial relations with the private sector for the construction of extremely socio-economic and, if necessary, politically important objects for the population, or for the provision of social services [7]”.

N.Sh. Shavkatov believes that “public-private partnership is an institutional and organizational alliance between the state and private business for the implementation of projects and programs of social importance in the fields from scientific research to services [8]”.

### 3. Research Methodology

Economic research methods such as collecting data on the economic importance of public-private partnership and its increase, analyzing the collected data, studying the practice of world experience, synthesizing, logical thinking and using the infographic method, displaying statistical data in the form of a table were widely used.

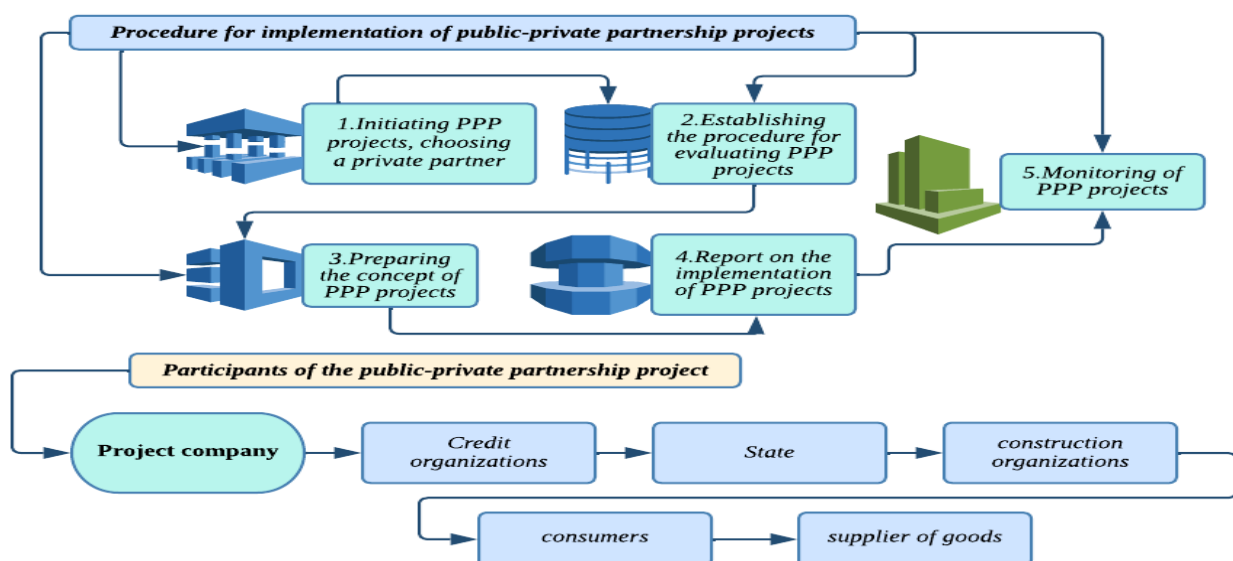
### 4. Analysis and Discussion of Results

When talking about the reforms implemented in our country, the topic of state monopoly and privatization has been the cause of many disputes. In social networks, we can observe that the population is dissatisfied with the state monopoly and the resulting inefficiencies in such areas as banking, transport, and automobile industry. In solving these problems, public-private partnership is an effective mechanism tested in the world experience.

In the modernization and development of the national economy, the main focus today is on investments in the economy. In addition, as a result of the development of market mechanisms, new economic relations are formed between the state and economic entities, that is, the private sector. One of the manifestations of such economic relations in the practice of developed countries is partnership relations between the state and private sectors.

#### The simplest scheme of government and private business cooperation is as follows:

- ❖ The state announces that it plans to build or modernize a social infrastructure object (for example, a clinic, road, kindergarten, school, etc.) and invites investors to tender.
- ❖ The winning private company will finance the project (attract capital), build (or modernize) the facility and manage the facility throughout its life cycle.
- ❖ At the end of the contract between the state and a private company, according to the terms of the agreement, the object is either transferred to the state or remains in the hands of the private company. The state, in turn, makes monthly unitary payments that include all expenses, loan interest and income of the private partner (Figure 1).

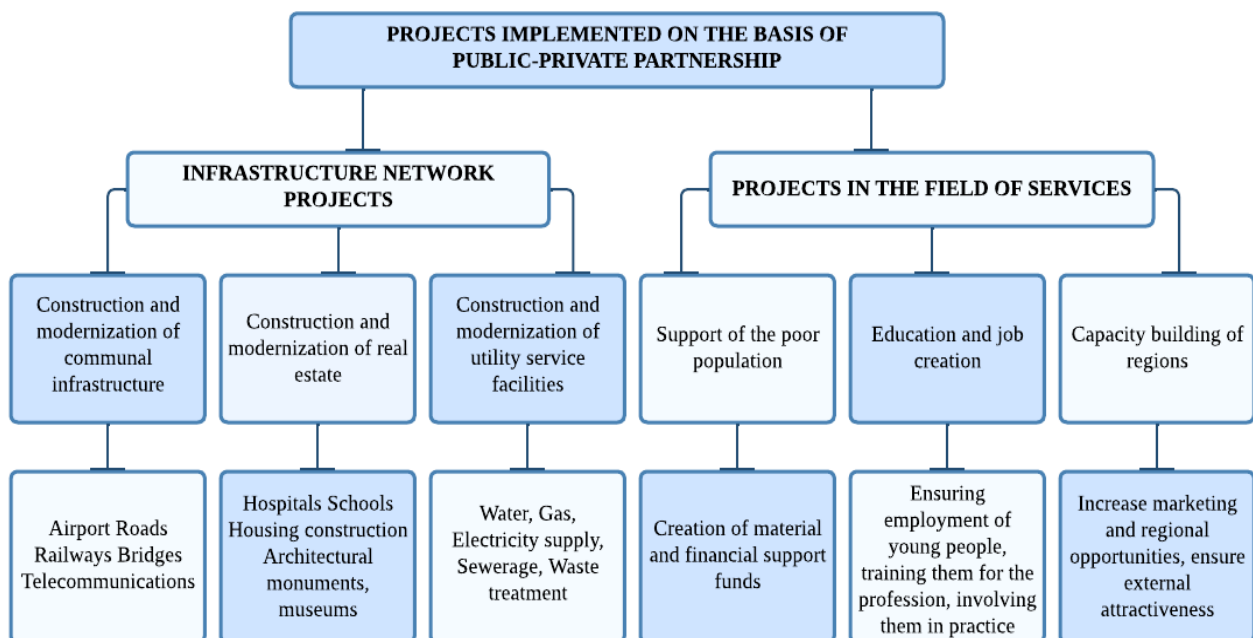


**Figure 1. Procedure for implementation of public-private partnership projects and its participants [9]**

Public-private partnership is primarily a combination of financial, technological and management resources of the state and business in the organization of infrastructures and provision of socially important services. In such cooperation, relations are established like cooperation between state and private companies. The public-private partnership mechanism is widely used in most sectors of the economy in all developed countries of the world.

Public-private partnership is a type of cooperative agreement, which means partnership relations between two or more state and private sector representatives in investment, infrastructure, innovation projects and socio-economic, scientific, as well as programs of state importance. The term “public-private sector partnership” describes a number of economic relations between public and private enterprises and organizations within the framework of infrastructure and other services.

Private sector and public cooperation represents the participation of business entities in the organization and management of production, household services and social infrastructure, as well as in the provision of social services.



**Figure 2. The main directions of projects implemented on the basis of public-private partnership [10]**

The role of the private sector in cooperation is the effective conduct of business, market relations, efficient organization of management, financial operations, and innovative activities. Also, the private sector can also participate in investment activities, depending on the form of the contract.

The main project directions in the practice of developed countries, where public-private partnership is implemented, are depicted in the picture above. (Figure 2) These project directions have the nature of directly indicating the content and purpose of PPP relations. Differentiation of contracts in public and private partnership relations is divided into types based on the nature of the development of a certain industry or sector, as well as types of projects.

At the current stage of the development of our country’s economy, the establishment of public and private partnership relations serves to accelerate the development strategy of our country. PPP is a mutual alliance of state agencies and private business, and its purpose is to create and develop projects

of social importance, from strategic sectors of the economy to the provision of services at the national level or in some of its regions.

According to the methodology of the World Bank, an infrastructure project can be considered as a private-public partnership project only if the private company assumes a part of the operational risks along with the operating costs and related risks. And this does not depend on whether the private company operates the state infrastructure object independently or jointly with the state body through the ownership of the enterprise or in another way.

**Table 1 Forms of public and private sector partnership in world practice [11]**

1.	<b>Build-Operate-Transfer-BOT</b>	Construction of the project based on the mechanism of mutual agreement, its use during the contract period (without the right of ownership) and transfer to the state at the end of the contract.
2.	<b>Build-Own-Operate-Transfer-BOOT</b>	Construction of the project based on the mechanism of mutual agreement, ownership of it during the term of the contract and transfer to the state at the end of the contract.
3.	<b>(Build-Transfer -Operate -BTO)</b>	As soon as the construction of the project is completed, it will be transferred to the state. The private partner provides services to him during the term of the contract, and consumers make continuous payments for the provided services.
4.	<b>(Build-Own-Operate-BOO)</b>	Construction of the project based on the mechanism of mutual agreement, use of it based on the right of ownership during the contract period, and the right of ownership remains with the private partner at the end of the contract.
5.	<b>(Build-Operate-Maintain-Transfer-BOMT)</b>	The life cycle of the project and its maintenance will be carried out by the state. The right of ownership remains with the state.
6.	<b>(Design-Build-Own-Operate-Transfer-DBOOT)</b>	Design, construction of the object based on the mechanism of mutual agreement, use of it based on the right to own it during the term of the contract, and transfer it to the state at the end of the contract.
7.	<b>(Design-Build-Financing-Operate-DBFO)</b>	It also undertakes to finance the construction and maintenance costs of the facility by the private sector. The state covers costs through payments for services.

For example, in the models of the first group under consideration (“management and lease agreements”), the transfer of a part of the operational risks of a private company is usually carried out through the mechanism of contractual obligations.

**Table 2 Classification of public-private partnership contracts [11]**

<b>Life cycle contract</b>	
<b>DBFO (Design – Build – Finance – Operate); PFI (Private Finance Initiative)</b>	The private partner will carry out the design, construction (reconstruction) and financing of this activity, and will manage the quality standards agreed with the public partner.
<b>BOL/DBOLT/DBOL/DBOLT design-build-own-lease-buy</b>	The private partner designs (builds, reconstructs) the object, acquires the property rights, leases it to the state partner (with or without the right to purchase).
<b>Operator contract</b>	
<b>Operation and Maintenance: management and technical service.</b>	The private partner manages the object during the period agreed with the state partner, performs service work, receives income from the provided service, the right to own the object remains with the state partner.



It is especially important to study effective PPP models in the development of the country's infrastructure of developed countries and to implement them for our country. Implementation of projects through these forms of relations can be very beneficial for both the state and the private sector, but their costs must be strictly controlled and contracts fully implemented in order to achieve economic efficiency.

Public-private partnership (PPP) is a type of agreement in which the public and private sectors enter into long-term cooperative relations for the purpose of public benefit or service.

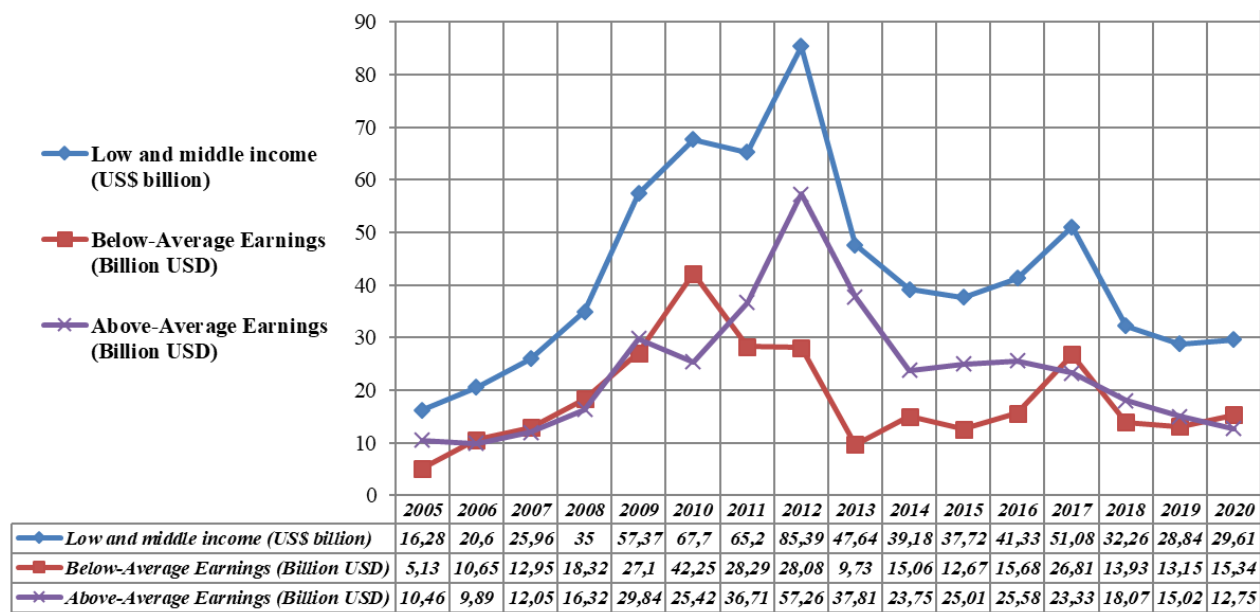


Figure 3. Investments made in the energy sector in countries of the world on the basis of PPP [12]

Based on the level of development of countries of the world, investments made in the energy sector on the basis of PPP are higher in low and middle-income countries than in low-middle income countries. The United States occupies a special place in the activities of the developed countries PPP, not only because the country is the leader of world economic development, but also because the PPP is the most widespread in the United States of America. The beginning of the modern stage of the PPP in the USA was associated with the name of the country's President Reagan in the 1980s, and the economic policy of that time was called Reaganomics. It includes a number of components, one of which is the privatization of infrastructure (partially or completely).

In 2022, 24.0 trillion will be allocated from the state budget to the health sector (including centralized investment costs). Soum funds or 3.5 trillion compared to the plan approved in 2021. Soums or 17% more funds have been allocated. 178, 6 bln. for projects on construction of student residences on the basis of public-private partnership and orders of state higher education institutions. it is also planned to allocate subsidies in the amount of soums.

**Table 3 Analysis of PPP projects in the Republic of Uzbekistan<sup>[13]</sup>**

In terms of sectors	Total number of projects	Total value of projects million US dollars	Projects with a signed PPP agreement	Projects on the verge of signing a PPP agreement	Projects in the tender stage
Energy	4	474,0	0	1	3
Utilities	5	1 676,93	4	0	1
Transportation	1	82,8	1	0	0
Health care	28	33,09	26	2	0
Water management	88	16,79	88	0	0
Ecology	29	53,40	14	0	15
Education	29	10,69	29	0	0
Sports	1	0,60	1	0	0
Culture	7	4,63	6	1	0
Information Technology	1	20,0	1	0	0
Agriculture	1	4,72	1	0	0
Law enforcement	1	3,0	1	0	0
<b>Total</b>	<b>195</b>	<b>2 380,65</b>	<b>172</b>	<b>4</b>	<b>19</b>

In 2019-2022, the Public-Private Partnership Development Agency, in cooperation with the responsible ministries and agencies of the republic, carried out work on a total of 293 public-private partnership (PPP) projects with a total value of more than 2.68 billion dollars.

## 5. Conclusions and Suggestions

Today, public-private partnership is an innovative mechanism for the implementation and financing of infrastructure projects. Although this mechanism was established in our country not long ago, today it has its own regulatory and legal basis and is causing great interest among state organizations and private partners.

If we take into account that the project object in the implementation of PPP projects is mainly infrastructure objects, infrastructure is the basic physical or organizational structures, such as buildings, roads, electric power system, which are necessary for the activities of enterprises and society. and it is important to know the access of objects.

From the above analysis and from the shortcomings listed below, in the development of the public-private partnership sector in our country, if special attention is paid to the strengthening of the legislative base, the holding of tenders, the creation and management of public-private partnership projects, the effectiveness of our projects in the field will be even higher:

- We need to strengthen the legislative base in the implementation of the public-private partnership project, for example, the law on the implementation of the public-private partnership project in the field of education has not yet been adopted;
- implementation and challenges of concessions due to different approaches to selected concessions across countries;
- the difficulty of finding a reliable partner in the implementation of a public-private partnership project;
- few or almost no participants (competitors) in conducting tenders for projects;
- lack of professionalism and experience of public bodies that can effectively use and manage the

mechanism of public-private partnership in the implementation of infrastructure projects, etc.

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