



PUBLIC-PRIVATE PARTNERSHIP RELATIONS

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ABSTRACT

Objective. This article examines the theoretical and economic basis of the implementation of financial activities in the practice of public-private partnership, the analysis of financial relations in the practice of public-private partnership.

Methods. While learning some of literature and research studies on channeling private investment in infrastructure on the basis of public-private partnerships have covered the topic, there are still unexplored aspects.

Results: When public-private partnership projects were analyzed in Uzbekistan in the last three years, it was found that the number and volume of the projects are increasing.

Conclusion. In the public-private partnership project, special attention is paid to the issues of improving the efficiency of cooperation with small business and private business entities, and scientific proposals and recommendations are given.

Introduction: In the current changing economic processes, the system of financial relations between state and private sector entities is also developing more and more. The continuous increase of the population creates the basis for the increase of the need for infrastructure of the countries of the world, as a result of which the cooperation of the states with the private sector becomes stronger. The scale of private investments in infrastructure in relatively less developed and developing countries of the world in 2021 will be 76.2 billion in 240 projects. In terms of US dollars, they have achieved 49% growth compared to 2020. Private sector investments are focused on such infrastructure sectors as transport and logistics, energy and renewable energy sources, drinking water and sewage networks, and waste treatment. These aspects reflect the need to improve public-private partnerships on a global scale.

But, the share of private participation in infrastructure (PPI) investment relative to gross domestic product (GDP) remains low in low- and middle-income countries. This can be seen from the data in Table 1 below:

Table 1



Regional PPI as a share of regional GDP, 2021 ¹

Regions	PPI (US\$, millions)	GDP 2020 (US\$, millions)	PPI/GDP (2021)
Europe and Central Asia	15 016,0	3 222 404,0	0,47 %
Latin America and the Caribbean	18 589,0	4 035 271,0	0,46 %
Sub-Saharan Africa	5 202,0	1 702 343,0	0,31 %
South Asia	8 693,0	3 386 420,0	0,26 %
East Asia and the Pacific	28 081,0	17 448 895,0	0,16 %
Middle East and North Africa	626,0	1 195 746,0	0,05 %

The five countries with the highest levels of investment in 2021 as a percentage of national GDP were: Mozambique with 4.7 percent of its GDP committed to PPI investments; Uzbekistan, with 3.6 percent; Eswatini, with 2.9 percent; Vietnam, with 2.6 percent; and the Democratic Republic of Congo, with 2.3 percent [1].

In absolute terms, Brazil, China, Turkey, India, and Vietnam received the largest PPI investments in 2021. These five countries together attracted US\$50.3 billion, capturing 66 percent of global PPI investment in 2021.

Methods.

In the scientific literature, there are many studies of foreign and local scientists dedicated to the study of the issues of public-private partnership (PPP) organization. In particular, the scientific-theoretical features of the CIS were developed by V.A. Kabashkin, I.E. The scientific works of scientists such as Bolekhov, foreign scientists M.B. Gerard, U.I. Djumaniyazov, J.R. Tokhirov, among Uzbek scientists, were considered in the lectures of the World Bank.

Economist V.A. Kabashkin calls PPP an institutional organizational alliance between the state and business, implemented on the basis of a contract between state administration agencies and private structures [2].

I.E. And Bolekhov "A field of joint actions." "Public-private partnership as a sign of innovative economy" states that "DPP 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." is enough [3].

M. B. Gerrard states that PPP combines the attraction of private capital and sometimes the attraction of public capital to improve the quality of social services or manage public assets [4].

¹ <https://ppi.worldbank.org/content/dam/PPI/documents/PPI-2021-Annual-Report.pdf> Compiled by the author based on the data of the World Bank's 2021 annual report "Private Sector Participation in Infrastructure".



In the definition given by the International Monetary Fund, it is defined as "a PPP is an agreement aimed at the provision by the private sector of infrastructural assets and services traditionally provided by the state" [5].

According to U.I. Djumaniyazov, "Public-private partnership is the distribution of various economic, political, social, cultural and other risks, dangers, risks that may arise based on the long-term strategic tasks and goals of the state within the framework of current laws. on the basis of this, it is a literally mutually beneficial relationship between the private sector and the private sector for the construction of extremely socio-economic and, if necessary, politically important objects for the population, or for the provision of such social services [6].

In recent years, private investments have been steadily increasing in Uzbekistan. Last year alone, 2.2 billion was spent on 5 infrastructure projects in the energy sector. Private investments in the amount of US dollars were attracted. According to the World Bank, private investment funds are being attracted to the first large energy project based on renewable energy sources in Uzbekistan [7]. All this is closely related to the formation of public-private partnership (PPP) relations in the country, the creation of its legal basis and the establishment of the PPP development agency. In this regard, the Decision of the President of the Republic of Uzbekistan "On the first measures to create a legal and institutional basis for the development of public-private partnership" (October 20, 2018), the Law of the Republic of Uzbekistan "On Public-Private Partnership" (May 10, 2019) , of the Cabinet of Ministers of the Republic of Uzbekistan "On the establishment of the Public-Private Partnership Development Agency under the Ministry of Finance of the Republic of Uzbekistan" (December 13, 2018), "On improving the procedure for the implementation of public-private partnership projects" (April 26, 2020), "On measures to accelerate the implementation of public-private partnership projects and improve the procedure for their financing" (August 11, 2021), "On measures to be implemented to introduce the system of transferring state functions to the private sector" (September 23, 2021) legal bases were created based on their decisions. The Public-Private Partnership Development Agency under the Ministry of Finance was established [8]. The agency is established as a state institution and is a specially authorized body for conducting a single state policy in the field of public-private partnership in the Republic of Uzbekistan [9].

The experience of developed countries shows that the state giving up many of its functions and tasks in favor of the private sector, and only maintaining their management and control, serves as a good support for the economy. Today, as a result of the increase in public-private partnership relations in both developed and developing countries, it is aimed to find solutions to the following problems:

- Minimization of state budget expenses and budget deficit;
- Reducing poverty by providing employment to the population;
- Optimizing the use of available natural and human resources;
- Effective use of time in achieving economic stability;
- Reducing the negative impact of projects on the environment, etc
- Introduction of modern mechanisms of public-private partnership aimed at increasing the effectiveness of mutually beneficial cooperation in the implementation of tasks for socio-political and socio-economic development of the country [10].



The development of sectors such as health care, education, transport, communal economy, tourism, energy, information and communication technologies is one of the urgent issues in Uzbekistan, despite the conditions for the use of private investments in the implementation of such important social infrastructure projects, the level of directing private sector funds to the sector remains low. In this regard, in 2021, "external borrowing on behalf of the state will be reduced, and more private capital will be attracted to investment and infrastructure projects... implementation of more than 40 large and medium-sized projects on the basis of public-private partnership"[11] in the form of reorganization, creation of effective mechanisms of financing and implementation of projects, solving functions and tasks of socio-economic importance on mutually equal and beneficial terms, attention was paid to further improvement of the public-private partnership system.

Also, in order to protect the interests of the private partner within the framework of the public-private partnership agreement, it can provide the following types of support:

- subsidies, including subsidies aimed at ensuring the guaranteed minimum income of the private partner from the implementation of the public-private partnership project;
- investments in the form of assets and property necessary for the implementation of the public-private partnership project;
- budget funds of the budget system of the Republic of Uzbekistan directed to payment for consuming or using a certain amount or part of the goods (works, services) produced or delivered during the implementation of the public-private partnership project;
- providing budget loans, loans, grants, credit lines and other types of financing;
- additional guarantees by mutual agreement in order to ensure the fulfillment of obligations by investors;
- tax credits and preferences, as well as other benefits;
- other guarantees and (or) compensations [12].

Results.

Improving the financial relations of public-private partnerships, negotiating infrastructure bonds to increase the volume of investments invited to finance infrastructure projects, using such a financial instrument to finance infrastructure projects, using infrastructure bonds to attract institutional investors to the financing of private sector projects, using infrastructure bonds to attract private investors through infrastructure bonds. It is appropriate to pay attention to the provision of state guarantees to a certain extent [13].

In order to compact the administrative apparatus and optimize work processes in the public administration system of Uzbekistan, it is aimed to triple the number of certain state functions transferred to the private sector, to expand public-private partnerships, and to widely introduce digital technologies [14].

The main purposes of transferring public functions to the private sector are:

- development of competitive environment in market conditions;
- creating additional opportunities for the development of new areas of entrepreneurship;
- increase the employment activity of citizens;
- further improvement of the public service system;
- improving the efficiency of the state administration system;
- optimization of state units of state bodies [15].



There are mainly three tools available for public authorities to invest in public infrastructures: traditional public procurement, concession, and availability-based contracts:

1) Public procurement. Traditional procurement is still all over the world the most widely used delivery option for public projects. Traditional procurement refers to the situation in which a public legal entity entrusts construction or service needs to a public or a private entity in return for an immediate payment. These are generally short-term contracts.

2) Concession contracts. Concession contracts are based on the transfer of a global mission including financing of the investment, eventually the construction of the project, and its operation and maintenance. As part of a concession contract, the public entity assigns the management of the service to a concessionaire that operates it and in fact bears the economic risk associated with it. As a result, the return on investment of the private operator comes from service operation and more generally from users' payments (tolled highways for example). This is why concession contracts are also sometimes called "user-pay PPPs."

3) Availability-Based PPPs. Availability contracts allow a public entity to entrust a contractor with a comprehensive project as part of a long-term contract, against remuneration paid by the public entity and spread over time. Its objective is thus to maximize the respective performances of the public and private sectors so as to execute projects. In theory, an availability contract is not an outsourcing of public service duties, the responsibility for which falls on public entities. In reality, through this type of contract, public bodies "purchase" the availability of a service that is necessary to carry out their duties. For instance, it can be the availability of a structure (a hospital, a prison, an office building, a telecommunications network, a railway, etc.) or of a resource (drinking water, meals, heat, etc.). [16].

Discussion.

By using public-private partnership mechanisms, it is becoming important to ensure cooperation between the state and small business in the implementation of infrastructure and social projects and their systematic monitoring.

Public-private partnership is a partnership between a public partner and a private partner based on pooling their resources for the implementation of a legally formalized public-private partnership project for a certain period of time.

The public-private partnership project consists of a set of activities aimed at solving economic, social and infrastructural tasks, carried out on the basis of attracting private investments and (or) introducing advanced management practices[17].

According to the information of the Public-Private Partnership Agency, the number and size of public-private partnership projects concluded in the last 3 years has a tendency to increase. We can also understand this from the data in Table 2 below.

Table 2

Information about public-private partnership projects in Uzbekistan²

² <https://www.pppda.uz/reyestr-ga-olangan-loyihalar> Compiled by the author on the basis of information from the official website of the Public-Private Partnership Development Agency under the Ministry of Finance of the Republic of Uzbekistan.



Period	Number of registered PPP projects	Cost of PPP projects (billion sum)
In 2020	51	371,5
In 2021	157	3 293,7
In 2022	100	17 791,0

According to the data in the table, it can be said that compared to the previous year, the volume of foreign direct investment projects has been increased 2,922.2 billion sum in 2021, and 14,497.3 billion sum in 2022. It should be recognized that the main part of these projects belongs to such sectors as education, healthcare, household waste processing, construction, energy, hydro-technology, irrigation, and tourism.

Conclusion.

Based on the above, it is possible to come to the following conclusion:

- Through public-private partnership projects, the economic stability of small business and entrepreneurial entities will be positively influenced, in turn, budget funds will be saved;
- Attracting diversified capitals to public-private partnership projects lays the groundwork for private investors to have additional benefits from the financing of projects and to ensure the minimization of the cost of capital for them;
- As a result, the effective organization of public-private partnership relations serves to create a favorable environment for socio-economic development and increase the well-being of the population in the conditions of limited economic and financial resources.

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