



OPPORTUNITIES FOR THE DEVELOPMENT OF PUBLIC PRIVATE PARTNERSHIP IN THE REGION

Ataniyazova Maksuda Baltabayevna.,

Branch of the Russian State Pedagogical
University named after A.I. Herzen in Tashkent,
Deputy Dean for Academic Affairs, PhD , acting associate professor
Tashkent, Republic of Uzbekistan
maksuda.ataniyazova@mail.ru
tel: +998998212239

Article history:	Abstract:
Received: 1 st March 2023 Accepted: 30 March 2023 Published: 6 th May 2023	The use of the mechanism of public-private partnership in the socio-economic system of the region is considered an important direction of economic development. Therefore, public-private partnerships are an important way of ensuring the socio-economic development of the country and an important source of attracting financial resources to investment projects that are under the control of state authorities and cooperate with investors. Based on the relevance of this issue, the article analyzes the possibilities of public-private partnership development in the region and develops relevant proposals and recommendations.
Keywords: public-private partnership, investment, project, efficiency, public risks, budget efficiency.	

INTRODUCTION

The implementation of large-scale projects in any country requires significant investments. Often, budgetary sources of financing are not enough, the problem can be solved by attracting non-state sources of financing and, above all, funds from private investors. The mechanism of joint financing by the state and business of large infrastructure projects is called public-private partnership.

It is now generally accepted that one of the most effective tools of interaction between the state and business is the public-private partnership (PPP), which has become an effective form of managing socio-economic processes. PPP is a long-term cooperation fixed by an agreement, which allows concentrating the necessary resources and minimizing risks due to their even distribution among partners. The essence of public-private partnership is the involvement of the private sector on a contract basis for more efficient and high-quality performance of tasks related to the public sector, in a situation of budgetary, financial, motivational, and competence restrictions, on the basis of cost compensation, risk sharing, obligations, and competences of the parties.

Generally, PPP is accepted in the following ways: firstly, as a system of relations between the state and business that is widely used as a tool for national, international, regional economic and social development; secondly, as specific projects implemented jointly by state and private companies on state and regional property.

On December 20, 2022, the President of the Republic of Uzbekistan, Shavkat Mirziyoyev, addressed the Parliament and the people of Uzbekistan about the plans for the year 2023. Six priority areas of activity of the authorities for the current year were announced, including: 1) reforming the public administration system; 2) further construction of the "welfare state", in the center of attention of which are the interests of the people; 3) defining the protection of human rights and freedoms as a constitutional obligation of the state; 4) strengthening the protection of natural resources, including water and land resources; 5) improving the business climate through the introduction of free market mechanisms, ensuring healthy competition and the inviolability of private property, as well as supporting entrepreneurship; 6) attraction of investments and privatization of the largest state-owned enterprises and banks [2].

Insufficient development of infrastructure in the regions of the country hinders economic growth at the regional level and in the country as a whole. This is expressed in infrastructural constraints that cause a discrepancy between the material and raw material base of production and the potential demand for the products of enterprises in the region.

The main reasons for infrastructural restrictions are:

- lack of funding for infrastructure from state sources;
- mistakes in state and regional planning and management, incorrect distribution of public resources, leading to the choice of



infrastructure projects that are less effective in terms of economic growth;

- overestimation of the terms of implementation and financing of projects, as well as the use of outdated technologies in the construction of infrastructure facilities;
- low efficiency and quality of infrastructure facility management.

LITERATURE REVIEW

In the scientific literature, the characteristics of the development of partnership relations between the state and business, models of the effective implementation of the mechanism of public-private partnership, contractual forms of public-private partnership, the scope and directions of the use of public-private partnership in developed and developing countries, the scope of the relationship between the state and business, and the factors affecting the expansion of the forms have been researched from a scientific-theoretical and methodological point of view.

According to E. Sadka, public-private partnership (PPP) is a type of procurement strategy that was first adopted in the early 1980s in the United Kingdom in response to the worldwide economic crisis [7].

The PPPs allow governments to focus their attention and resources on their core competencies without needing to spend public funds on complex projects that are unfamiliar to them [3]. By applying the techniques, experience, technology, and innovation of the private sector, the resources, assets, and knowledge of the public sector can be used more efficiently by reducing costs and increasing the quality of facilities and utilities [4]. PPPs can produce a large reduction in the cost of public projects because the private sector brings greater discipline to the execution of projects, which reduces the risk of cost overruns and project delays; Additionally, due to the private sector's interest in recovering their investments, the PPP model leads to a reduction in the project life cycle costs and guarantees the expected return rate for government investment [6].

J.K. Galbraith studied partnership relations between the state and business, the formation of the system of economic relations between the state and the private sector, the economic nature and content of the "public-private partnership" category, the purpose and researched areas such as tasks, structure, and models, the main directions of economic activity between state and private business entities, the formation of investment funds, and the conceptual foundations of public-private partnership [5].

According to E.A. Dynin, PPP is the combination of tangible and intangible resources of society (state or

local government) and the private sector on a long-term and mutually beneficial basis to create public benefits (improvement and development of territories, development of engineering and social infrastructure) or provision of public services (in the fields of education, healthcare, social protection, etc.) [10].

According to V.G. Varnavsky, "PPP is a strategic, institutional, and organizational alliance between the state and business in order to implement socially significant projects and programs in a wide range of industries and R&D, up to the service sector" [8].

U.I. Jumaniyazov gave the following definition: "Public-private partnership is a truly mutually beneficial relationship with the private sector to create objects of socio-economic, political significance and at the same time provide social services based on the distribution of possible various economic, political, social, cultural, and other risks, taking into account the long-term strategic goals and objectives of the state in accordance with the current legislation" [9].

METHODOLOGY

This study uses a systematic review methodology to summarize research results on the effectiveness of PPP. Within the research process, the scientific basis of approaches to the development of public-private partnership in the conditions of the innovative development of the economy, the implementation of public-private partnership projects, the main directions of public-private partnership, restrictions on the introduction of this mechanism, the formation of criteria for the systematic identification and classification of state risks, a dialectical, systematic, and scientific approach, and comparative analysis and grouping methods were used.

RESULTS

Development of investment activities based on the features of the socio-economic development of the regions, there is a need to develop measures to increase the investment potential and determine its goals and objectives. In the conditions of the transformation of the economy, the algorithm for solving the tasks set for the development of scientific and practical measures for the development of investment potential and for the improvement of its economic mechanism should consist of certain stages.

The initial stage of the development of investment activity by operating enterprises and organizations is the creation of institutional structures aimed at ensuring economic stability and achieving efficiency, which include state institutions, infrastructure, project institutions, investment organizations, insurance



companies, etc. This stage is aimed at protecting the economic interests of the subjects of investment activities and improving the mechanisms of enterprise management through the existing legal system in the conditions of insufficient implementation of financial support for the account of state funds and the need for private investment resources.

The second stage represents the formation of a favorable investment environment.

The third stage is to assess the region's potential for increasing the efficiency of investment processes, which can be achieved by attracting investment resources, studying and implementing existing positive experiences in the development of investment activities.

The fourth stage consists of state support. It is intended to create a favorable investment environment and encourage entrepreneurship through state structures.

The fifth stage is the development of entrepreneurship in enterprises, firms, and organizations operating in the republic.

The sixth stage is to increase the effectiveness of its resource supply based on financing the activities of economic entities in the field, taking into account internal and external sources. Taking into account the specific features of the development of the activity of each economic entity, introducing the PPP mechanism as a promising direction of investment and attracting foreign investors.

The seventh stage is monitoring at all stages of investment activities.

Today, it is necessary to systematically and purposefully create certain conditions to increase the efficiency of enterprises in the regions. Accordingly, it is particularly relevant for enterprises and organizations to determine effective methods and directions for increasing their position in domestic and foreign markets. It is necessary to develop integrated processes in the field of this issue, to initiate technical-technological cooperation at other levels, and to increase the quality and competitiveness of products. Also, the creation of a unified system of management decisions and measures adopted in the republic to increase the investment potential of the regions will enable a comprehensive solution to existing tasks for the development of investment activities. According to statistical data in Uzbekistan, 212 public-private partnership projects with a total value of more than 4.5 billion dollars were implemented in 2022.

Projects have been implemented in the following sectors: **8** in energy, **20** in healthcare, **52** in the field of water management, **53** in the field of ecology, **48** in the field of education, **24** in the field of culture, **2** in the field of employment and labor relations, and **5** in the

fields of transport, communal services, taxing, the craft industry, and law enforcement.

Moreover, in accordance with paragraph 105 of the State Program approved by the Decree of the President of the Republic of Uzbekistan dated January 28, 2022 "On the Development Strategy of New Uzbekistan for 2022-2026" No. PF-60, 154 public-private partnership projects worth about 14 billion dollars will be implemented in the sectors of energy, transport, healthcare, education, ecology, communal services, water management, and other sectors (Table 1). And this requires further steps and methodological research for the development of PPPs.

Table 1
The number of planned public-private partnerships

Nº	Sector	Number	Total amount
1.	Energy	11	3 147 mln. USD
2.	Transport	5	8 699 mln. USD
3.	Public utilities	3	975 mln. USD
4.	Health care	3	275 mln. USD
5.	Education	6	380 mln. USD
6.	Ecology	33	338,4 mln. USD
7.	Water management	33	40,3 mln. USD
8.	Other social spheres	60	105 mln. USD
	TOTAL	154	13,96 bln.USD

The development of the regulatory mechanism by the state is aimed at solving specific problems using economic, organizational, and legal methods that objectively create favorable conditions for economic growth and the effective development of entities of all forms of ownership [11].

Therefore, in the context of the transformation of the economy, issues of state support and the improvement of regulatory mechanisms for investment activity are urgent.

Table 2
Conditions for the development of PPPs

No	Criteria	PP development conditions
1.	Activity	Globalization processes; economic and geographical location; availability of natural resources.



		The level of professional skills, education, professional and professional experience of the participants in partnership relations.
2.	Level of institutionalization	Public and private business relations. Development, flexibility and stability of the PPP regulatory framework, development of specialized financial organizations.
3.	Conditions	Uneven distribution of mineral deposits; development characteristics of economic sectors and branches. Regulation of legal and property relations; existence of organizational structures in the system of state authorities; level of property rights protection. Competitive environment; stable competitive market; the existence of a political network of mutual relations. High political and economic risks; obsolescence of fixed assets; corrupt situations. Economic stability; infrastructure quality; competitiveness, entrepreneurial investment activity. Efficiency of PPP projects; civil society activism; level of political risks; development of social institutions; social mobility and the nature of interests; human capital development.

According to Table 2, relations, regardless of subjective conditions and according to the source of movement, require an objective approach to the processes. These processes include globalization, the availability of natural resources, the economic cycle, and favorable economic and geographical locations. It is known that the processes of globalization have an impact on the development of PPP aimed at attracting foreign capital based on the principles of domestic partnership between state and business activities and state support of national capital in foreign economic relations. Increasing entrepreneurial activity has a positive effect on the activities of enterprises and organizations; on the contrary, investment projects and targeted programs can be brought to a standstill during a crisis. In these periods, PPP projects stimulate demand as an additional

opportunity to stabilize the economy, distribute, and thereby reduce the increased risks for partners in times of crisis and attract long-term resources to projects.

In our opinion, the creation of favorable conditions for the effective implementation of PPP depends on providing the republic with natural resources and a favorable economic-geographical location.

The conditions for the development of PPP can be economic or non-economic. Economic conditions depend on the efficiency of social reproduction, such as the formation of a favorable institutional environment and infrastructure development, the support of small businesses, the creation of science, education, financial, and credit institutions, the stability of the economy, and increasing the level of knowledge and professional training of cooperation participants. includes conditions. These conditions affect the nature of the external and internal environments of private business entities. The non-economic conditions for the development of state and private business cooperation reflect the political and social situation in the republic.

Also, conditions can have a positive or negative description. If the conditions of a positive description increase the economic effectiveness of the use of cooperative relations between the state and private entrepreneurship and develop its potential, the negative aspects hinder the development of this cooperation. For example, the creation of favorable conditions for the formation of partnership relations between the state and the private sector plays an important role in the development of the competitive environment. In this way, there are equal opportunities to participate in the partnerships of different enterprises, because only healthy competition increases the efficiency and activity of the private sector. Therefore, it is necessary for executive state authorities to help create a competitive environment for private business activities.

In order to develop the business environment in the regions, it is necessary to implement an effective state policy that envisages the development of business infrastructure, financial institutions, and administrative barriers. The development of PPP is determined by positive and negative factors affecting it.

In our opinion, the existing institutional restrictions on the rapid development of PPPs in the regions are as follows:

- non-development of programs and target plans for the formation and implementation of the PPP mechanism;
- lack of appropriate management apparatus for regulating partnership relations;
- lack of formation of social control, public law institutions, and public property.



Based on this, to create a positive environment for the effective implementation of the PPP mechanism, it is necessary to develop comprehensive measures to improve the institutional foundations of such cooperation between the state and business, implement an effective anti-corruption policy, and ensure the transparency of common projects. The main thing here is the development of public control institutions that provide social control over these projects.

To protect the interests of the private partner and/or the creditor(s) within the framework of the transaction in accordance with the Law of the Republic of Uzbekistan "On Public-Private Partnership", the Republic of Uzbekistan may provide the following types of support [1]:

- 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 consumption or use of a certain amount or part of the goods (works, services) produced or delivered during the implementation of the public-private partnership project;
- issuing 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.

Additional guarantees and support are carried out by an agreement on state support with the Republic of Uzbekistan or in accordance with the procedure provided for in the agreement on public-private partnership [1].

Any types of additional guarantees and support that directly or indirectly affect the state budget of the Republic of Uzbekistan should be agreed upon with the Ministry of Finance of the Republic of Uzbekistan before the concept of the public-private partnership project is approved. Tax benefits and preferences are determined in accordance with the procedure provided by the Tax Code of the Republic of Uzbekistan. In special cases, it is allowed to link the prices of goods (works, services) realized in the territory of the Republic of Uzbekistan to foreign currencies and conditional units for public-private partnership projects implemented with the

participation of foreign investments attracted within the framework of public-private partnership agreements, based on the decisions of the President of the Republic of Uzbekistan [1].

Another important aspect of state regulation and support of PPP is the need to protect private investments in PPP projects. In order to protect the property of the private partner and the project company from nationalization and other measures, state guarantees were established in the republic.

It is also important to use the following principles in the implementation of PPP, taking into account the regional characteristics of the development of regions and solving socially important projects: the concept of PPP development; the development of its methods and identification of projects, taking into account the possibilities of PPP; the systematic provision of legal regulation; and the capacity building of PPP entities.

It should be noted that by justifying the main directions of the development of PPP, we developed recommendations based on the constructive approach of experts in order to use the existing practice of mutual relations between the public and private sectors in the field of PPP, as well as priorities and opportunities for strategic cooperation between the public and private sectors. The following are the proposed recommendations for the development of PPPs:

- establishment of the PPP development fund with a share of both state budget funds and private sector funds;
- necessary to expand the principles of public-private partnership in the legislative system of PPP implementation, to clarify the powers of executive authorities, and to introduce a system of legal protection for the private partner;
- necessary to create a database of PPP projects by state authorities at all levels and to create a database of potential PPP projects by separating them at the national, regional, and local levels;
- training of personnel to implement the PPP mechanism;
- establish cooperation with foreign partners to exchange effective experiences on the implementation of PPPs.

Nowadays, it is necessary to strengthen mutual relations through economic, organizational, and legal mechanisms for the rational use of PPP methods and forms in the republic.

RESULTS AND CONCLUSIONS

According to the research results, it is possible to increase the effectiveness of the PPP project at the



regional level at all stages of implementation based on the introduction of management measures such as:

- ensuring public access to information about the project and tendering procedures;
- creating separate websites to ensure the participation of potential partner companies in the tender (especially for medium and small projects) and
- increased competition;
- formation of project management experts and teams;
- ensuring the possibility of monitoring the execution of work with the participation of external consultants for creditors who have suffered large financial losses in cases of corruption schemes in the project.

REFERENCES

1. Law of the Republic of Uzbekistan of May 10, 2019 No. LRU-537 "On public-private partnership" // <https://lex.uz/ru/docs/4329270>.
2. Presidential decree of the Republic of Uzbekistan of January 28, 2022 No. PD-60 «On the Development Strategy of New Uzbekistan for 2022-2026» // <https://lex.uz/docs/5841063>
3. Cumming, D. (2007). Government policy towards entrepreneurial finance: innovation investment funds. *Journal of Business Venturing*, 22(2), 193-235. <http://dx.doi.org/10.1016/j.jbusvent.2005.12.002>
4. Edkins, A.J., & Smyth, H.J. (2006). Contractual management in PPP projects: evaluation of legal versus relational contracting for service delivery. *Journal of Professional Issues in Engineering Education and Practice*, 132(1), 82-93. [http://dx.doi.org/10.1061/\(ASCE\)1052-3928\(2006\)132:1\(82\)](http://dx.doi.org/10.1061/(ASCE)1052-3928(2006)132:1(82))
5. Galbraith, J. K., Weidenbaum, M. L., Hession, C. H., Deckard, B., Sherman, H., & Thompson, C. C. (1975). Economics and the public purpose. *Journal of Economic Issues*, 9(1), 87-100.
6. Li, B., & Akintoye, A. (2003). An overview of public-private partnership (pp. 3-30). Blackwell Science: Oxford, UK.
7. Sadka E. (2007). Public-private partnerships – A public economics perspective. *CESifo Economic Studies*, 53(3), 466–490. <https://doi.org/10.1093/cesifo/ifm013>
8. Varnavskiy V. Gosudarstvenno-chastnoe partnerstvo v Rossii: problemi stanovleniya // *Otechestvennye zapiski*. – 2004. – No 6. – P.33.
9. Djumaniyazov U.I. Sovershenstvovanie mexanizmov korporativnogo upravleniya v sfere jilishnogo stroitel'stva na osnove gosudarstvenno-chastnogo partnerstva: avtoref.dis. / Djumaniyazov U.I. – Tashkent, 2017.
10. Dinin Ye.A. Riski biznesa v chastno-gosudarstvennom partnerstve // *Obshchestvo i ekonomika*. – 2007. - № 5-6. – P. 111.
11. Larin S.N. Gosudarstvenno-chastnoe partnerstvo: zarubejnyy opit i rossiyskie realii // *Gosudarstvenno-chastnoe partnerstvo v innovatsionnykh sistemakh / pod obsh. red. S.N. Sil'vestrova*. – M.: Izdatelstvo LKI, 2008. – 312 p.