



DEVELOPMENT OF PROJECT FINANCING BASED ON PUBLIC-PRIVATE PARTNERSHIP

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Article history:	Abstract:
Received: 28 th May 2024 Accepted: 26 th June 2024	The article provides a comparative analysis of the work of foreign and domestic economists on financing projects based on public-private partnerships. A comparative table of the private partner's participation in public infrastructure facilities was also studied. The types of funding sources for PPP projects have been identified. The activities of specialized organizations regulating PPP activities in the world have been analyzed. Proposals and recommendations have been developed for the development of project financing based on public-private partnerships.

Keywords: Public-Private Partnership, Infrastructure Projects, Financing, Private Partner, Resource.

INTRODUCTION. Global experience demonstrates that public-private partnerships (PPPs) play a significant role in ensuring a country's economic development. This is achieved through the effective implementation of large infrastructure projects and the development of production and social infrastructure. These advancements are based on the integration of financial, technological, and managerial resources, founded on mutually beneficial cooperation between the government and business sectors. Numerous scientific research studies are being conducted worldwide to improve public-private partnership practices. These studies examine the scientific and theoretical foundations of PPP development in the context of the modern economy, the role of PPP in the innovative economic development of various countries, the importance of implementing PPP in different sectors and industries, financial relationships within PPP, and issues related to their enhancement.

Uzbekistan also has limited funds that can be spent on vital infrastructure projects. In the context of a budget deficit, government agencies are trying to find new sources of external financing for the implementation of infrastructure projects. The use of private sector capital and experience can stimulate the development of large infrastructure projects in the country and at the same time improve the business environment and quality of life of the population. In this regard, infrastructure projects based on PPP principles are of particular interest to the state.

ANALYSIS OF LITERATURE ON THE TOPIC. A foreign scholar, M.B. Gerrard, director of the PPP Center in Great Britain, notes that "PPP is organized and operates within the framework of state and private sector forms, both in a non-national and non-privatized form. Politically, PPP represents a new third way of

providing public services to the population". Here, the scholar points to PPP as the third way of public procurement and privatization in financing public infrastructure projects.

D. Delmon defines PPP as "any contractual or legal relationship used in a broad sense and related to the expansion or improvement of all infrastructure services, except for government orders and purchases, between public and private entities".

Discussions on the essence of the concept of public-private partnership have been widely discussed among Russian experts for a long time. In particular, V.A. Kabashkin offers to "understand the process of attracting partners, first of all private partners, in order to more effectively perform tasks related to the public sector of the economy in public-private sector cooperation, cover costs, distribute risks, distribute obligations, etc." V.G. Varnavsky stated that "public-private partnership is a form of cooperation between state and private owners in the field of services that has a legal form for the implementation of socially significant projects provided by state and communal property objects, as well as state and public organizations, institutions and organizations." Scientific literature contains numerous studies by foreign and domestic scholars dedicated to the study of PPP organization issues. In particular, economist K.A. Antonova called "PPP - an institutional organizational alliance between the state and business between state administration agencies and private structures, implemented on the basis of a contract", I.E. Bolekhov notes that "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."



N.A. Yusupov, F.E. Karabaev, and N.N. Oblomurodov, among the economists-scientists from Uzbekistan, think: "PPP is an alternative form of providing services in the traditional system by the state and the private partner. In the right approach of PPP, resources previously unused by the private sector at the local, regional or international level are channeled."

RESEARCH METHODOLOGY. The study employed methods such as generalization, grouping, analysis and synthesis, comparative analysis, statistical analysis, comparison, induction, and deduction.

ANALYSIS AND RESULTS. In accordance with paragraph 105 of the State Program approved by Appendix 2 to the Decree of the President of the

Republic of Uzbekistan dated January 28, 2022 No. DP-60 "On the Development Strategy of New Uzbekistan for 2022-2026" it is planned to implement 154 PPP projects worth about 14 billion dollars in energy, transport, healthcare, education, ecology, utilities, water management and other areas based on public-private partnership.

Public-private partnership activity is considered one of the modern concepts in the field of financing infrastructure projects in the economy, and it differs from traditional public procurement activities and privatization according to the participation of a private partner in infrastructure objects (Table 1).

Table 1

Comparative table of the private partner's participation in public infrastructure facilities

Comparative table		
Public procurement	Public-private partnership	Privatization
The asset is wholly owned by the state	On the basis of a contract, the asset can be transferred to a private partner for a certain period of time on the basis of ownership	The asset goes to the wholly privatized party
Private partner does not use or manage the asset	The use and management of the asset is limited by the contract	Asset management is unlimited
The private partner provides services to the asset, such as design and construction	The private partner can use, manage and generate income from the asset for the duration of the contract	The party that has privatized all the services and tasks will carry out it itself
The risk is borne by the state	Risk is shared between the parties	Risk is on the side of the privatized
The population will be provided with cheap or free services, but the quality may not meet the requirements	The population will be provided with free or high-quality services for a certain fee	The population is provided with quality service, but it may be expensive for the population
The state will fully cover the costs of the private partner	The private partner can cover costs through consumer payments and/or receive funding from the government	The privatized party will cover its own costs
A contract is concluded between the parties regarding the activity	The private partner for the activity creates a special project company	The privatized party decides independently

As can be seen from Table 1 above, public-private partnerships are currently one of the types of activities that benefit both the population, the state, and the private partner.

The financing mechanism for public-private partnership projects is one of the complex processes. The reason is that PPP projects are typically long-term

and large-scale, requiring significant costs, but the project revenue often does not cover these costs. Although the public partner in PPP activities considers the private partner as the main financier, there are many projects financed by the state or where the private partner is financially supported by the state.

A well-defined financial model plays a crucial

role in the implementation of PPP projects. The financial model of a PPP project is a combination of financial resources that can cover the project's capital costs and provide investors with minimal income. When constructing the financial model of a PPP project, the project evaluation process is the primary process. The reason is that as a result of evaluating the project, capital costs are accurately calculated and the sources of funding are determined depending on the payments

on which the project's income is realized.

In the implementation of infrastructure projects on the basis of PPP, the income of the project can be based on consumer payments, on the basis of payments from the budget as a result of free service (or product delivery) to consumers, and on the basis of government support in case of insufficient consumer payments.

Different sources of financing can be used for the implementation of PPP projects:

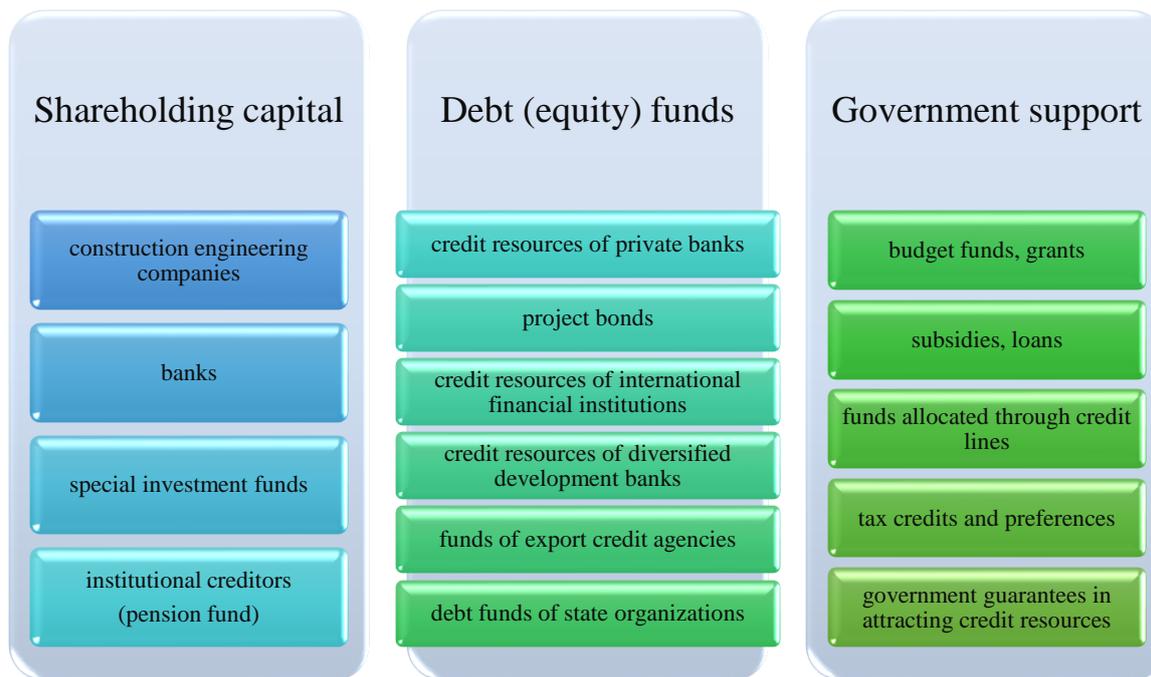


Figure 1. Types of financing sources of PPP projects

As can be seen from Figure 1 above, the sources of funding for PPP projects are diverse, and each project requires its own separate source of funding based on its financial model. The use of mixed financial sources is particularly effective in accelerating the implementation and financing of PPP projects.

In the process of analyzing foreign experience, we have

witnessed that in some countries there is a single, general authorized body for the development of PPPs, while in some such organizations there are several. In some countries, there is no special organization that regulates PPP activities at all (Table 2)

The effective functioning of these organizations will serve to prevent many problems in the field.

Table 2
Special organizations regulating PPP activities in the world

Countries with a single special organization managing the PPP sector		
Nº	Countries	Special organizations
1.	Australia	Australian Infrastructure Development Organization (there are also special organizations in some states)
2.	Belgium	does not have a specific organization at the federal level, but there is at the local level: the Flemish Center for PPP Research (in Flanders, subordinate to the Public Administration Services)
3.	Brazil	There is a federal governing council for FDI, and each state has separate such councils
4.	Great Britain	The United Kingdom Treasury has a policy department in the field of PPP
5.	Germany	Joint-stock company "PPP" operates at the federal level for the entire country, and a target group on DKK issues works under the Ministry of Finance for regions
6.	Kazakhstan	Kazakhstan PPP Center is the only organization



In conclusion, the establishment of public control in the implementation of PPP projects, firstly, helps to control the prevention of corruption during the life cycle of these projects, secondly, it helps to identify the risk of demand, which has caused the failure of many projects around the world, and thirdly, considering that the end users of PPP projects are society, helps to assess their response to definitions in economic infrastructure projects.

In order to further develop the implementation and financing of PPPs in Uzbekistan, a regulatory legal document or a methodological guide should be developed to assess the effectiveness of PPP projects. Then the correct analysis of the quality and cost effectiveness of the projects, the identification of project risks and their minimization, and the preparation of project assessment documents (PTEB, TEB) for the public partner and the private partner will lead to a decrease in the costs of consulting organizations.

Since there are no documents showing the models and methods of PPP projects in our country, it is necessary to develop a "PPP Guide" manual on the application of PPP in various fields in Uzbekistan by the Public-Private Partnership Agency under the Ministry of Finance. We believe that this manual will provide answers to the questions of those interested in this activity and will serve to increase the knowledge and skills of specialists in the field.

In conclusion, it can be said that from the analysis we have considered above and the shortcomings listed below, we believe that the effectiveness of the projects implemented in the field will be even higher if special attention is paid to strengthening the legal framework in the development of the public-private partnership sector in our country, open and transparent tendering, and the creation and management of public-private partnership projects.

CONCLUSIONS AND SUGGESTIONS.

Some of the problems that arise in the implementation of PPP projects are the improper distribution of risk between the parties, the timely payment of funds by users, the excess of the state's conditional obligations to private investors, the possible macroeconomic crises in the country, the increase in inflation and interest rates, etc.

PPP is used in almost all countries of the world. From foreign practice, we can observe the experience of countries where a lot of projects have been successfully implemented, the role of the private sector in infrastructure development has increased, but the

project failed without the expected results. Ensuring public participation in the implementation of PPP projects will prevent many anticipated and unanticipated risks.

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