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PUBLIC-PRIVATE PARTNERSHIP IN UZBEKISTAN: PROBLEMS AND SOLUTIONS

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Abstract.*This article examines the theoretical and economic basis of financial activities in public and private partnerships, financial relations in public and private partnerships and their effectiveness analysis, theoretical and practical aspects of the prospects for effective financial relations in public and private partnerships. Also, proposals and recommendations were developed on issues of government subsidization of investment projects, increasing the effectiveness of cooperation with private investors in the public-private partnership project and minimizing financial risks, diversification of financing of public-private partnership projects through the placement of infrastructure bonds.*

Keywords:*Minimum revenue, infrastructure investment, public-private partnership, models*

Introduction

In the process of economic integration of the world community, the system of financial relations between public and private business entities is also expanding. The growth of the world's population is accompanied by an increase in the need for infrastructure in countries and, as a result, the expansion of cooperation between countries and the private sector. “In terms of infrastructure investment, in 2019, China will invest 26.3 billion yuan for 142 projects. USD 18.3 billion for 33 projects in Brazil. $ 4.6 billion for 34 projects in India. $ 4.5 billion for 12 projects in Vietnam. $ 4.1 billion for 13 projects in Russia. The share of the private sector in infrastructure investment in these countries is 63%[1]. These aspects highlight the need to develop Public-Private Partnerships on a global scale.

[1] Private Participation in Infrastructure (PPI), The World Bank annual report,2019. https://ppi.worldbank.org/content/dam/PPI/documents/private-participation-infrastructure-annual-2019-report.pdf

Literature review

Research is being conducted in the world to finance the infrastructure of countries through the private sector, to improve financial relations with private investors in the practice of public-private partnership . Diversification of financial instruments that can be used in public-private partnerships, increasing the interest of private investors in infrastructure financing through partial reimbursement and subsidies, defining the position of partners in property and debt relations, expanding state guarantees, fair distribution of financial risks, public-private partnership issues such as the degree of impact on economic development have not been adequately studied remain unresolved.

The views expressed by R.Nurske highlighted the impact of infrastructure projects consisting of elements that serve the production capacity, as well as the fact that infrastructure similar to a small network is in fact very important and significant, the practice of public-private partnership is the most important in its formation [2]. A.O. Hirschman (1958) and later D.Biehl (1994) noted that infrastructure is the capital that provides public services. Infrastructure is by nature a crossroads, i.e. it is considered successful when it is implemented by a government or management entity in conjunction with a strong private sector to achieve a goal or desired outcome (production, transport, communications, health, education) [3].

Research and analysis conducted by the National Center for Public-Private Partnership Development (Russian Federation) show that such important aspects as public-private partnership in the development of infrastructure in the regions, such as financial incentives for private investors [4].

In Uzbekistan, despite the development of education, health, utilities, energy, transport, information and communication technologies, public-private partnerships, reforms in the use of private sector funds in the implementation of socially important infrastructure projects, the level of private sector investment in the sector remains low. In this context, this year in the "implementation of more than 40 large and medium-sized projects on the basis of public-private partnership" to organize public- [5] business cooperation in modern forms, identify project financing mechanisms, solve socially important tasks in a mutually beneficial environment, as well as , requires effective management and coordination of the public-private partnership system. This highlights the need for extensive research to improve financial relations in public-private partnership practices

[2] Nurske R., Problems of capital formation in developing countries, Basil Blackwell, Oxford, UK.1953, p239.

[3] Hirschmann AO, The strategy of economic development, Yale University Press, New Haven, CT. 1958, p 96 .; Biehl, D., The role of infrastructure in regional policy, OECD, Paris. 1994, p 34.

[4] National center GChP, http : // pppcenter. ru/ assets / files / 18102018- ruk.pdf

[5] Uzbekistan Republic President ShavkatMirziyoyev High To the Assembly Murojaatnomasidan , 29.12.202 0. https://president.uz/uz/lists/view/4057

Analysis and results

The term "public-private partnership" describes a number of economic relations between public and private enterprises and organizations in the field of infrastructure and other services.

Theoretically, public-private partnership (PPP) is a process of combining the material and intangible resources of society (public and private sector) on a long-term and mutually beneficial basis for the creation of social goods or the provision of social services [6]. Public-private partnership is a special form of long-term cooperation between the state and business for the implementation of socially significant investment projects aimed at the development of transport, energy and social infrastructure[7].

principles of public-private partnership , it is expedient to encourage the implementation of [8]investment projects with foreign direct investment in priority areas such as road construction and transport infrastructure, alternative energy sources, social facilities, including tourism infrastructure.

Based on theoretical research, a general and specific author's definition was given: **Public-Private Partnership**- a form of strategic, institutional and economic-financial cooperation between the public and private sectors aimed at the implementation of socially important infrastructure projects and the provision of services. Public-private partnership is a form of cooperative agreement, which means the partnership of two or more public and private sector representatives in investment, infrastructure, innovation projects and socio-economic, scientific, as well as programs of national importance.

A public-private partnership is a mutual union of government agencies and private business. The aim is to implement socially significant projects, from strategic sectors of the economy to the production of goods and services in the country or in some regions. Given the steady growth of demand, the government should develop various forms of public-private partnership models to upgrade and develop infrastructure without attracting large foreign investments and loans, and the following PPP models are widely used in international practice (Table 1).

In the international practice of public-private partnership, the basic models focus on the order of ownership, who manages the project, and specific aspects of financing. The main

[6]Dynin E.A. Riskibiznesa v chastno- gosudarstvennom partnership / _ Society and economics. 2007. № 5-6. S.111.

[7] Chernov S.S., Suxanov I.S. Voprosyotsenkieffektivnostirealizatsiisotsialnoznachimyxproektov // Biznes. Education. Right. Bulletin of the Volgogradskogo Institute of Business. 2016. № 4 (37). S. 92–97.

[8]Oblomurodov N.N. Attracting foreign direct investment on the basis of public-private partnership // Scientific electronic journal "International Finance and Accounting". №6, December, 2018, p.3. http://interfinance.uz/en/

forms of public-private partnership are Build-Operate, Transfer - BOT, Build - Own, Manage - Transfer (Build, Own, Operate, Transfer - BOOT), Build-Own, Operate, Transfer (BOT). , Transfer, Operate - BTO), Build-Own, Operate - BOO, Build-Own, Maintain, Transfer (BOMT), Design-Own-Own-Manage -Development (Design, Build, Own, Operate, Transfer - DBOOT), Design-Construction-Financing-Management (Design, Build, Finance, Operate - DBFO). Public-private partnership and its level of participation varies. It is the level of participation of the private sector in a public-private partnership that depends on the form of the contract and agreement.

Table 1

Basic models of public-private partnership[9]

Basic models	Property	Management	Financing
Model operator	Private / Public	Private	Private
Cooperative model	Private / Public	Private / Public	Private / Public
Concession model	State	Private / Public	Private / Public
Contract model	Private / Public	Private	Private
Leasing model	Private	Private / Public	Private / Public

PPPs are economic relations and economic relations between the public and private sectors established for the development, planning, financing, construction and operation of infrastructure projects, which ensure the interests of the public and private sectors by attracting additional sources of funding.

The financial mechanism of PPP is a set of forms and methods of organizing financial relations on the basis of partnership between the public and private sectors of the economy in order to create favorable conditions for the implementation of infrastructure projects for socio-economic development of the country.

The financial mechanism of the PPP is the main part of the planned project, taking into account the terms and stages of investment in the project, technological processes and stages, the continuity and duration of activities under the project.

[9]BelyaevoyI.Yu., Eskandarova M.A. Corporate social responsibility. Uchebnik. - M .: " Knorus", 2018. - 316 p.

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Table 2

Analysis of public-private partnership agreements signed and implemented in Uzbekistan[10]

Infrastructure networks	Projects (unit)	of projects (years)	required investments amount (mln.	In projects basic enterprising	Area where projects are implemented
Energy	5	25	2170	Government initiative	Navoi, Syrdarya, Samarkand,TashkentRegion
Communal services	2	10	1.4	Government initiative	Khorezm
Health save	11	15	4.7	Private initiative	Tashkent, Kashkadarya, Samarkand, Khorezm, Jizzakh, Surkhandarya
Water farm	2	15	6.1	Private initiative	Sirdaryo and Tashkent Region
Education	1	24	1	Private initiative	the whole republic
Ecology and the environment protection	5	10	11.05	Government initiative	Namangan, Fergana, Bukhara
Total	**26**	**x**	**2194,25**	**x**	**x**

According to preliminary estimates, 2194.25 million soums will be allocated for PPP projects in Uzbekistan. An investment of US $ is required. In terms of regions, PPP projects

[10]Created by the author.

are being implemented on the basis of private and public initiatives in the energy sector in Navoi, Syrdarya, Samarkand, Tashkent regions, in the utilities sector in Khorezm region, in the health sector in Tashkent, Kashkadarya, Samarkand, Khorezm, Jizzakh, Surkhandarya regions(Table 2).

In 2020, 2710.64 billion soums will be allocated for the main sectors of the The study of capital structure and its optimization is important in the implementation of the project. Several factors need to be considered when selecting the optimal capital structure for a project. In this case, the tax burden, the company's position in the financial market, share prices, the share of private capital and debt capital in the capital structure of public-private partnership projects directly affect the capital cost of the project.

The capital structure of public-private partnership projects is characterized by a higher composition of debt capital. It will consist mainly of funds raised by commercial banks, regional and global development banks, international financial institutions, infrastructure investment funds, sovereign and corporate infrastructure through the placement of bonds. Infrastructure bonds are bonds –issued by legal entities implementing a public-private partnership project to attract targeted funds to finance the creation and (or) reconstruction of infrastructure. The main investors in such bonds are institutional investors (insurance companies, investment banks, private pension funds).

Infrastructure bonds play an important role in raising capital for projects that contribute to socio-economic development and capacity building, affordable housing and infrastructure building, access to essential social services, employment and food security. "High growth rates in Asian countries and the need for infrastructure spending of around $ 8 trillion, according to forecasts for 2010-2020, will increase the demand for private investors' funds, which in turn will affect the development of the infrastructure bond market [11]. "

Improving the financial relations of public-private partnerships, the introduction of infrastructure bonds to increase investment in infrastructure projects, the use of such a financial instrument in the financing of infrastructure projects, the use of infrastructure bonds to attract institutional investors to finance PPP projects. It is advisable to pay attention to the level of state guarantees, etc.

Research shows that the use of such a financial instrument in the financing of public-private partnership projects, which remains only in the legislation of the country, leads not only to the development of the country's infrastructure, but also the emergence of a new financial instrument for the national capital market.

[11] Asian Development Bank Institute. 2010. Estimating Demand for Infrastructure in Energy, Transport,Telecommunications, Water, and Sanitation in Asia and the Pacific: 2010–2020. Tokyo.

Conclusion

Establishment of public-private partnership serves to create a favorable environment for socio-economic development and improving the welfare of the population in the context of limited financial resources;

Project management performance indicators (NPV, IRR, WACC), taking into account the impact of these factors, to be prepared for the expected and possible risks and losses for private investors in the management of public-private partnership projects, taking into account the impact range of net present value within 30% serves to assess and ensure financial stability;

Financing of public-private partnership projects through debt instruments serves to achieve financial leverage efficiency and stabilize the financial performance of projects such as ROE, ROI, NPV, IRR, WACC, DPP.

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