

## SOME SPECIAL ISSUES OF THE METHODOLOGICAL FOUNDATIONS OF FINANCIAL RELATIONS IN PUBLIC-PRIVATE PARTNERSHIPS

NAVRUZBEK SHAVKATOV

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### Abstract

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#### Keywords:

Financial resources, infrastructure projects, funding, infrastructure, project, tax benefits, public-private partnership.

*In this article it is emphasized the One of the main factors that can hinder the economic growth of developing countries is the low level of development of infrastructure sectors such as transport, energy, utilities, education, health. Moreover, the main problems are the lack of investment in the such sectors and the low level on using of modern technologies during the implementation of the infrastructure projects for the development and modernization of the sector in various branches of the economy. Also, it is expressed economic relations between the public and private sectors in the implementation of infrastructure projects, conclusions, practical proposals and recommendations for the development of public-private partnerships.*

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#### Author correspondence:

NAVRUZBEK SHAVKATOV

Independent Researcher, Banking and Finance Academy of the Republic of Uzbekistan, Tashkent, Uzbekistan

Email: [shavkatov.navruz@bfa.uz](mailto:shavkatov.navruz@bfa.uz)

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### INTRODUCTION

Public-private partnership relations are gaining importance day by day. In recent years, due to the worsening of the socio-economic situation on a global scale, the Covid-19 pandemic, and the complexity of economic relations between state and business entities, the need to use the PPP mechanism has become increasingly evident. The high rate of population growth in the country may cause problems related to the implementation of socially important functions, and the desire to impose such functions on business entities for profit is increasing. Public-private partnership appears as a solution to such issues as a form of mutually beneficial cooperation between the state and business to achieve social goals in the long term. It is urgent to organize this type of cooperation, to develop the relevant directions and implement them in our country, summarizing the world experience. It is known that the main domestic sources of investment in the economy are, first of all, the state and private businesses operating in the country. Therefore, according to economists, economic cooperation between the state and the private sector is an institutional and organizational cooperation aimed at attracting and implementing investments in projects of high socio-economic significance in a wide range of activities. Due to the lack of short-term solutions to problems such as hunger, poverty and social inequality in society, high social value can be created in the country through the implementation of long-term investment and management strategies through public-private partnerships.

### LITERATURE REVIEW

Corporate social responsibility in public-private partnerships, its mechanisms of action is one of the constant focus of the state, corporate structures, the population, researchers and scientists in foreign countries. It should be noted that there are also controversial aspects.

H.Antoni, P.Filipe and J.Guaqueta analyzed the results of the first phase of a multi-year program to study the role of public-private partnership in education in the United States in their research work. He stressed the need to increase the role of the private sector in education, the creation of a state regulatory framework, increase the choice of educational services and improve learning outcomes. The PPP agreements, which can help countries achieve their educational goals, outline the best ways and means to implement these measures in practice.

An important reason for the implementation of public-private partnership (PPP) mechanisms in the implementation of transport infrastructure projects is that they have lower costs for regular infrastructure by the state and have an advantage in the use of private sector funds.

The funds needed to invest in infrastructure in the country are distributed through the government's direct investment program, as well as through public-private partnership mechanisms, which are a financial innovation tool for the government to address financial issues for such projects.

### RESEARCH METHODOLOGY

In this research work empirical methods, group analysis, systematic analysis, comparative analysis and other methods are used. The research methodology differs from others in that it combines international and national indicators of financial access and economic development. This allows comparing criteria from two different sources.

### ANALYSIS AND RESULTS

an institutional and organizational alliance between public and private business to implementsocially significant projects and programs in areas ranging from research to services. The efficiency achieved from the implementation of public-private partnership projects can be divided into 3 types:

1. Economic efficiency - in many cases refers to the benefits that the private sector achieves. The added financial value created by the participation of the private sector in partnerships can be reflected in the economic effect.
2. Political effect - as a result of public-private partnership, the state achieves its goals in domestic and foreign policy.
3. Social effect - the implementation of public-private partnership takes into account such aspects as the development of infrastructure in the country, the improvement of transport and communication systems, the creation of additional jobs.

Law of the Republic of Uzbekistan "On Public-Private Partnership" No. 537, approved on May 10, 2019, is the legal basis for the implementation of public-private partnership in our country. This law stipulates that in the implementation of public-private partnership in our country, the public partner and private partner must have equal rights, the rules and procedures of public-private partnership must be open, transparent and understandable to stakeholders. - ensure free access to information on the rules and procedures of the private partnership. It also provides for the selection process and impartiality in the selection of a private partner through the use of selection mechanisms, the implementation of public-private partnership rules and procedures, and fairness and transparency in making decisions in favor of the optimal option based on impartial and reasonable criteria. It is important that the state does not discriminate

against the parties in the process of selecting a private partner and implementing the partnership.

The financial mechanism of public-private partnership is a set of forms and methods of organizing financial relations between 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. Subsidies on instruments of financial mechanisms of public-private partnership, including subsidies received by a private partner from the implementation of a public-private partnership project, aimed at ensuring the guaranteed minimum income, assets and property investments required for public-private partnership project, public-private partnership budget funds, budget loans, debts, grants, credit lines and other financing of the budget system of the Republic of Uzbekistan, which are directed to payment for the consumption or use of a certain amount or part of goods (works, services) produced or delivered during the implementation of a private partnership project state guarantees, tax and other benefits, other guarantees and (or) compensations of the Republic of Uzbekistan.

We can see the main directions of public policy in the field of public-private partnership in the following issues:

- stimulating economic growth and ensuring sustainable development of the Republic of Uzbekistan;
- development, approval and implementation of state programs in the field of public-private partnership;
- assistance in the formation, restoration, use and maintenance of existing social infrastructure;
- improving the quality of use and maintenance of social infrastructure;
- state services quality improve and from them free use expansion ;
- creation of conditions to attract financial resources of the private sector, including foreign investment;

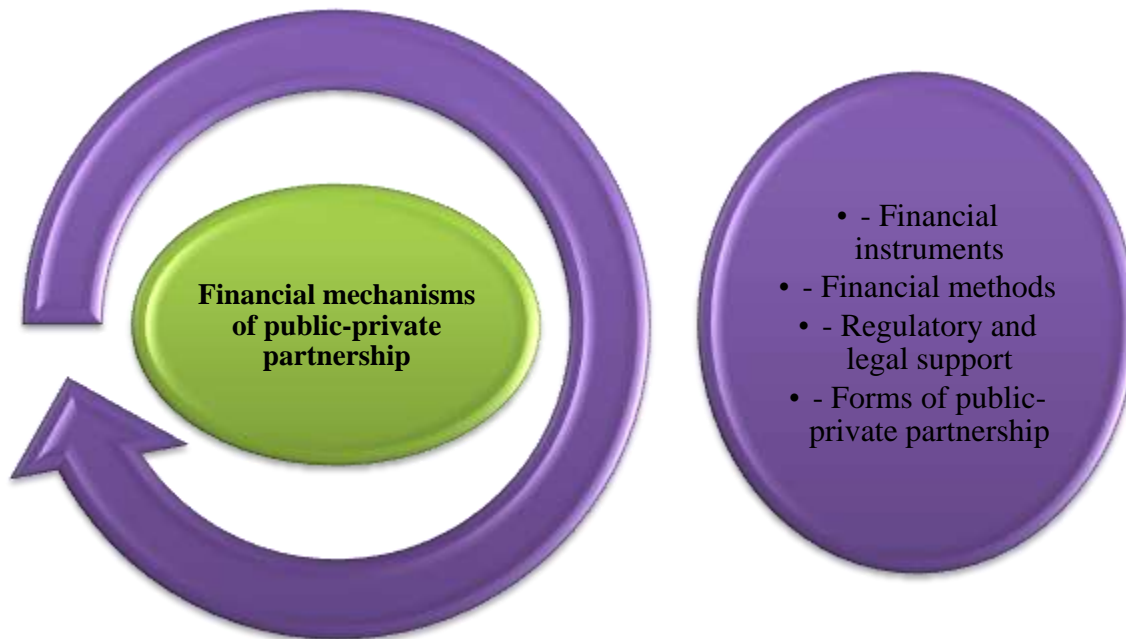
state support of scientific research for the development and improvement of the institutional and legal framework of public-private partnership, introduction of modern methods and technologies

The establishment of a public-private partnership mechanism requires the interaction of the public sector on the one hand, and the private sector on the other, and in the process, each entity must perform its assigned and contractually agreed tasks. In general, it is important for the private sector to have a stable source of income and increase profits, as well as to be a partner for the state in gaining a strong position in the market. In turn, the need for the private sector to increase the volume and quality of social services provided by the state (road construction, health care, education, utilities, etc.) will be high. Exactly one of the most important factors in the formation of public-private partnership is the public-private partnership agreement. In world practice, there are different models, forms, types and unique opportunities for the implementation of public-private partnership.

The participation of the private sector in a public-private partnership is determined by the type of contract and the terms of the agreement, and the level of its participation varies. The level of participation of the private sector in public-private partnerships depends on the form of the contract and agreement

Therefore, in determining the effectiveness of public-private partnership projects, first of all, its contract form is important. Public-private partnership agreement is an administrative-economic agreement concluded between the public (local government) and the private sector for the implementation of certain socially significant and useful activities. The most common

form of PPP practice is work, which can be contracted on a partnership basis to provide work for the provision of public services, management, delivery of products for public needs, technical assistance. In administrative-legal relations, property rights are not transferred to private partners, and costs and financial losses may be covered by the state. The interest of a private partner is such that he has a definite right to a fixed share of income, profit or payments under the contract. Partnerships are organized on the basis of forms of public-private partnership, financial instruments used in such relations, financial methods and techniques, normative legal norms regulating the industry (Figure 1).



**Figure 1. Financial mechanisms of public-private partnership<sup>1</sup>**

If we analyze the financial mechanism of public-private partnership practice, first of all, the initial estimates and justification of financial costs and revenues, alternative sources of project financing, as well as assessment of financial efficiency of project implementation, reflect the financial model. The financial mechanism of the public-private partnership is the main part of the project, planned for the period of investment in the project implementation period and technological processes and stages, the continuity and duration of activities under the project in a systematic manner, on a schedule over time, taking into account the basis and amount of funding will be. "Two important elements need to be taken into account when deciding on the financing of public-private partnership projects <sup>2</sup>".

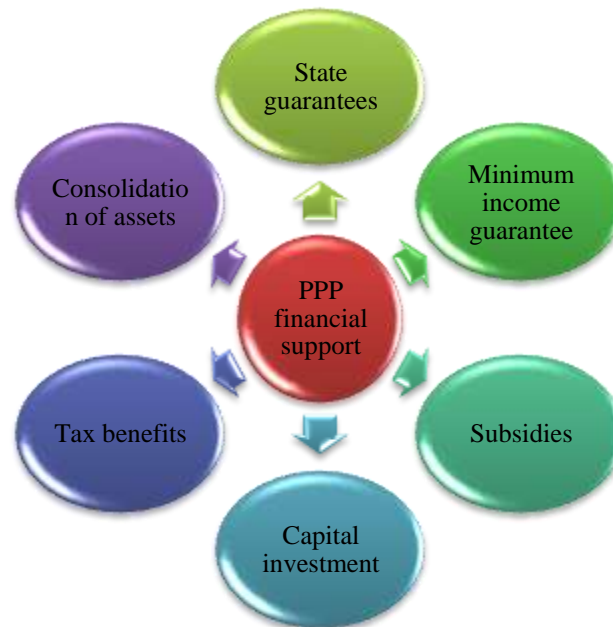
- identification of the source of funding;
- selection of special investment technologies.

The process of financing public-private partnership projects is carried out in the following ways:

<sup>1</sup>Anatolevna Z.E.Osobennosti finansovogo mekhanizma gosudarstvenno-chastnogo partnerstva na primere subʒektov Rossiyskoy Federatsii, SCI-ARTICLE - Publikatsiya nauchnyx statey. 18.05.2020

<sup>2</sup> E.Zakirova , N.Kasimova , F.Mukhamedov , E.Harebov , Public-private partnership as a factor of social and economic development of regional infrastructure , -Т.: " Economy-finance ", 2020 / p.112.

- Resources allocated at the expense of own funds, at the expense of private investors, on a non-refundable basis from the state budget;
- at the expense of loans from the private sector;
- at the expense of state-guaranteed loans;
- mixed financing, financing a certain part by the above methods.



**Figure 2. Types of state financial support of public-private partnership in the world practice<sup>3</sup>**

It should be noted that the successful implementation of a public-private partnership project will depend on the choice of financial resources, taking into account the use of investment technologies that meet the specifics of the project, to achieve sustainable cash flows (income) within the project. In this case, financial resources can be divided into two groups:

- Private sector cash, current accounts, previously borrowed funds, long-term and liquid current assets;

- potential financial resources, sources of financing through the securities market (stock and bond issues) and the money market (credit, leasing, factoring, forfeiting, etc.).

Support for public-private partnerships by the state will increase the interest of private investors in the project. In the practice of public-private partnership, in order to keep prices stable for infrastructure services, to implement a public-private partnership project, the state can provide various forms of financial assistance to a private partner (Figure3).

By providing subsidies in the public-private partnership project, when the prices set by the private partner are considered high by the government for the consumer, the allocation of budget subsidies for the private partner at the expense of price reduction is envisaged. This will cover a certain portion of the private investor's income.

In attracting investment through public-private partnership mechanisms, it is advisable, first of all, to apply to areas that require large amounts of capital investment. This includes the

<sup>3</sup>PPP fiscal risk assessment model , PFRAM 2.0 , User manual , September 2019 , International Monetary Fund and World Bank Group , <https://www.imf.org/external/np/fad/publicinvestment/pdf/PFRAM2.pdf>



widespread introduction of public-private partnership mechanisms in transport, energy, roads, utilities, medicine, education, the required amount of annual capital investment in these sectors, its share and timing of funding through public-private partnership mechanisms, public-private partnership Introduction of mechanisms to guarantee public obligations on projects implemented on the basis of measures will need to be taken to assess its effectiveness <sup>4</sup>. Ensuring the balance of public-private partnership projects over time and its financial efficiency is an effective way to ensure the financial stability of the partnership <sup>5</sup>.

## CONCLUSION

Public-private partnership should be recognized not only as a factor determining the level of development of the socio-cultural sphere and infrastructure, but also as one of the special supports that will take the development of the country's economy to a new level. Creating a database of public-private partnership projects in the near future and forming and systematically analyzing them with open, real data, creating a training system for PPP projects, identifying consistent work on further development of infrastructure and social sphere, most importantly, in choosing a public partner a transparent and fair system needs to be developed. It is advisable to encourage the introduction of public-private partnerships, provide benefits and government support for large-scale projects in the field of social infrastructure on a national scale.

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<sup>4</sup> Decree of the President of the Republic of Uzbekistan on the state program for the implementation of the Action Strategy on the five priority areas of development of the Republic of Uzbekistan for 2017-2021 in the "Year of Science, Enlightenment and Digital Economy" , Tashkent, March 2, 2020, PF-5953.

<sup>5</sup>S. HanaokaandHP Palapus , Reasonable concession period for build-operate-transfer road projects in the Philippines , *International Journal of Project Management*, 30 (2012), pp. 938-949

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