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ORGANIZATION OF PUBLIC-PRIVATE PARTNERSHIP IN UZBEKISTAN: SOME THEORETICAL VIEWS

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Abstract

In this article, the theoretical and economic foundations of the implementation of financial activities in the practice of public and private partnership, the analysis of financial relations and their effectiveness in the practice of public and private partnership, the theoretical and practical aspects of the prospects for the effective organization of financial relations in the practice of public and private partnership are researched. In addition, proposals and recommendations have been developed separately on issues of state subsidization of investment projects, issues of improving the efficiency of cooperation with private investors in public-private partnership projects and minimizing financial risks, diversifying the financing of public-private partnership projects by placing infrastructure bonds.

Keywords:*commercial banks, bank assets, loan portfolio, asset quality, problem assets, asset classification.*

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Introduction

In the process of economic integration of the countries of the world, the system of financial relations between the state and private sector entities is also developing more and more. The increase in the world's population increases the need for infrastructure in countries, and as a result, the range of cooperation between countries and the private sector is expanding. "In 2019, according to the scale of infrastructure investments in China, 26.3 billion were spent on 142 projects. USD, 18.3 billion for 33 projects in Brazil. USD, 4.6 billion for 34 projects in India. US dollars, 4.5 billion for 12 projects in Vietnam. US dollars, 4.1 billion for 13 projects in Russia. The share of the private sector in infrastructure investments in these countries was 63 percent [i]. These aspects demonstrate the need to develop public-private partnership (Public-Private Partnership) relations on a global scale.

[i]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

In the world, scientific researches are being carried out on financing the infrastructure of countries through private sector funds, improving financial relations with private investors in the practice of public-private partnership. Diversification of financial instruments that can be used in public-private partnership, increasing the interest of private investors in infrastructure financing by covering part of the costs and providing subsidies, defining the positions of partners in property and debt relations, expanding state guarantees, fair distribution of financial risks, public-private partnership relations issues such as insufficient research of the level of influence on economic development remain unscientifically resolved.

In the opinions expressed by R. Nurske, the impact of infrastructure projects consisting of elements that serve the production potential is determined, and he also noted that the infrastructure similar to a small network is actually very important and significant, and the practice of public-private partnership is the most important in its formation[ii]. A. O. Hirschman (1958) and later D. Biehl (1994) noted the infrastructure as capital providing public services. Infrastructure is like a crossroads in nature, that is, it is considered successful when it is implemented by government or governing entities together with a strong private sector to achieve a goal or a desired outcome (production, transportation, communication, health, education) [iii].

In the researches and analyzes carried out by the National Center for the Development of Public-Private Partnership (Russian Federation), it is possible to witness the important aspects of public-private partnership in the development of infrastructure, such as increasing the weight of regions and financial incentives for private investors [iv].

At the same time that the development of sectors such as education, health care, communal economy, energy, transport, information and communication technologies is urgent in Uzbekistan, despite the reforms regarding public-private partnership relations, the use of private sector funds in the implementation of socially important infrastructure projects, the level of private sector funds allocation to the sector remains low. In the same conditions, this year, in "implementation of more than 40 large and medium-sized projects on the basis of public-private partnership", it is necessary to organize [v]the cooperation of the state and business in modern forms , to determine the financing mechanisms of the projects, to quickly solve socially important tasks in mutually beneficial conditions, as well as , requires effective management and coordination of the public-private partnership system. This determines the need for extensive research on improving financial relations in the practice of public and private partnerships.

[ii]Nurske R., Problems of capital formation in developing countries, Basil Blackwell, Oxford, UK. 1953, p239.
[iii]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.
[iv]Natsionalnyy tsentr GChP, http :// pppcenter. ru/ assets / files /18102018- ruk. pdf
[v] Uzbekistan Republic President ShavkatMirziyoyev High To the meeting From the application , 29.12.2020 . https://president.uz/uz/lists/view/4057

Main dsicussions

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

If we dwell on the theoretical aspects, public-private partnership (PPP) is a process of combining material and non-material resources of society (public and private sector) on a long-term and mutually beneficial basis to create social benefits or provide social services [vi]. Public-private sector cooperation is a special form of long-term cooperation between the state and business in order to implement socially significant investment projects aimed at the development of transport, energy and social infrastructure [vii].

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

On the basis of theoretical studies, the author's definition was given in general and specifically: **Public-private partnership-** is a form of strategic, institutional and economic-financial cooperation between the state and the private sector, designed to implement socially significant infrastructure projects and provide services. Public-private partnership is a type of cooperative agreement, which means partnership relations between two or more representatives of the public and private sectors in investment, infrastructure, innovation projects and socio-economic, scientific, as well as programs of state importance.

In public-private partnership, a mutual alliance of state agencies and private business is formed. The purpose of this is to implement projects of social importance, from strategic sectors of the economy to the production of goods and provision of services at the national level or in some of its regions. In the conditions of regular growth of needs, the state should develop various forms of public-private partnership models to renew and develop infrastructures without attracting large foreign investments and loans, and the following PPP models are widely used in international practice.

In the international practice of public-private partnership, in the basic models, attention is paid to the order of property ownership, who manages the project, and special aspects of financing. The main forms of public and private sector partnerships are Build-Operate-Transfer (BOT), Build-Own-Operate-Transfer (BOOT), Build-Operate-Transfer (BOOT), , Transfer, Operate - BTO), Build, Own, Operate - BOO, Build, Operate, Maintain, Transfer - BOMT, Design - Build Own - Manage -Transfer (Design, Build, Own, Operate, Transfer - DBOOT), Design-Build-Finance-Management (Design, Build, Finance, Operate - DBFO), etc. Participation of the private sector in public-private

[vi] Dynin E.A. Risky business v chastno- gosudarstvennom partnerships / / Society and economy. 2007. No. 5-6. S.111.

[vii] Chernov S.S., Sukhanov I.S. Voprosy otsenki effektivnosti realizatsii sotsialno znachimyx proektov // Business. Education Pravo Vestnik Volgogradskogo institute business. 2016. No. 4 (37). S. 92–97.

[viii] Oblomurodov N.N. Attracting foreign direct investments on the basis of public-private partnership // "International Finance and Accounting" scientific electronic journal. #6, December, 2018, page 3. http://interfinance.uz/en/

partnerships is determined by law, depending on the terms of the agreement. and the level of its participation varies.It is the level of participation of the private sector in public-private partnerships that depends on the form of the contract and the agreement.

PPP is an economic relationship and economic relations between the state and the private sector established for the purpose of development, planning, financing, construction and operation of infrastructure projects, and such relations provide the interests of the state and private sector by attracting additional sources of financing.

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

appears as the main part of the planned project, taking into account the duration and technological processes and stages of the project implementation, the coherence and duration of the measures within the framework of the implemented project in a systematic way, taking into account the basis and amounts of financing on the basis of the agreed terms.

The increase in the weight of PPP-based projects implemented by the private sector in Uzbekistan allows to solve important tasks such as optimization of state budget expenses, increase of direct investments, increase of funds for infrastructure development projects.

In world practice, it is important to ensure the profitability of public-private partnership projects, to protect the private investor from financial risks, and to ensure investors' peace of mind. In the definition defined by the state partner, in the form of purchase, through the sale or purchase of options, payment for free use, budget subsidies, consumer payment guarantees directly serve as the minimum expected income from the project for the investor in the public-private partnership project.

the minimum return is the determination of the minimum expected return from the project for the purpose of developing public-private partnership projects aimed at reducing financial risks for private investors. The most important thing is that setting the expected minimum profitability will definitely serve as an incentive for the private investor in the implementation of the projects. After all, he knows in advance that he will get at least some income by participating in the project. This can be a factor in the joining of a private investor to the project.

In public-private partnership projects, private investors are guaranteed minimum profitability by the state, and if the expected profitability is less than this minimum profitability, the state will have to compensate. Guarantees of minimum returns do not extinguish the private investor's interest in the success of the project, on the contrary, they encourage it, because the investor tends to earn more than the minimum return. It is considered appropriate to determine the minimum rate of return on the basis of the project's capital price. In the table below, the forms of guaranteeing income in public-private partnership projects in world practice are presented by sector (Table 4). Guaranteeing a minimum return has an impact on the cost of capital of the project, directly on the efficiency of the project, therefore, the cost of capital and the amount of return expected from it provides the investor with peace of mind about his capital.

It is considered important to study the capital structure and optimize it during the implementation of the project. Several factors should be considered when choosing the optimal capital structure for a project. In this case, the tax burden, the company's position in the financial market, the price of its shares, the share of private capital and debt capital in the capital structure of public-private partnership projects directly affect the project's capital price.

The capital structure of public-private partnership projects is characterized by a greater composition of debt capital. It will mainly consist of commercial banks, regional and global development banks, funds of international financial institutions, funds investing in infrastructure, funds attracted by placement of sovereign and corporate infrastructure bonds. Infrastructure bonds –are bonds issued by legal entities implementing a public-private partnership project to attract targeted funds aimed at financing the creation and/or reconstruction of infrastructure. Institutional investors (insurance companies, investment banks, private pension funds) can be named as the main investors of such bonds.

Infrastructure bonds are important in raising capital for projects that contribute to socio-economic development and empowerment, affordable housing and infrastructure, access to essential social services, employment and food security. "The high growth rates in Asian countries and the need for infrastructure spending of around 8 trillion US dollars, according to forecasts between 2010 and 2020, will increase the demand for funds from private investors, resulting in the development of the infrastructure bond market. [ix]"

Improving the financial relations of public-private partnerships, introducing infrastructure bonds into circulation to increase the volume of investments involved in the financing of infrastructure projects, using such a financial instrument in the financing of infrastructure projects, using infrastructure bonds to attract institutional investors to the financing of PPP projects more widely, it is sufficient for a private investor attracted through infrastructure bonds it is appropriate to pay attention to such things as providing state guarantees.

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

Conclusion

The establishment of public-private partnership relations serves to create a favorable environment for socio-economic development and improvement of the population's well-being in conditions of limited financial resources;

In the management of public-private partnership projects, the determination of the net present value, taking into account the impact intervals within a certain framework, allows private investors to be ready for the expected and possible risks and losses, taking into account the influence of these factors, the performance indicators of the projects (NPV, IRR, WACC) serves to ensure assessment and financial stability;

The guarantee of minimum profitability in the public-private partnership serves to provide incentives for private investors in the implementation of projects, to achieve at

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

least a minimum level of income by participating in projects, and to increase their interest in participating in the project;

Diversification of capital attraction to public-private partnership projects through infrastructure bonds creates a basis for private investors to have additional benefits from project financing and to ensure the minimization of the capital cost of projects;

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