



THEORETICAL AND METHODOLOGICAL BASIS OF THE EFFECT OF PUBLIC-PRIVATE PARTNERSHIP ON INCREASING INVESTMENT CAPACITY

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Abstract

Both state and private business will have a number of opportunities in the development of PPP in economic sectors based on innovations. In particular, as a result of cooperation between the state and the private sector, the commercial activity of the state will be improved, the quality of state purchases will increase and the cost will decrease, additional investments will be attracted to the development of science, technology and technology that will serve to create an innovative model of the economy, and the activities of entities in the field of innovative entrepreneurship will be supported. And for business, opportunities to enter new markets and profit, to receive additional benefits and preferences from the state, as well as to commercialize the results of innovative developments, will be opened in the conditions of risk distribution and cost savings for fixed assets.

Keywords. Public-private partnership, business, innovative developments, investments

Introduction

The concept and implementation of public-private partnership (hereinafter referred to as PPP) has passed through different periods of development and has been implemented using different levers in different fields in accordance with the socio-economic policy of countries.

In the 50s and 60s of the last century, the post-crisis period in Europe and the USA is a period with a high level of state intervention in the projects implemented in this direction. During this period, the number of projects in the fields characterized by PPP was small, most of them were financed by the state.

In the 1970s and 1980s, however, the situation changed dramatically after the onset of recession and severe budget restrictions. State intervention and opportunities to provide regular services to the population have been significantly reduced.

Why such cooperation is taking effect in sectors of global social importance and the identified shortcomings of the structural change programs of the World Bank and the International Monetary Fund since 1980. Along with the economic problems of the





developing countries, the planned economy of the socialist bloc needs to be fundamentally reformed in order to increase the efficiency and high productivity of economic systems and prevent deep crises.

It is based on the fact that PPP should promote neoliberal ideas of economic development: reducing state intervention in the economy, promoting the development of competitive markets, etc. are factors of economic development.

PPP is an effective mechanism for pooling resources and sharing risks between the public and private sectors for the implementation of a specific infrastructural project. Attracting private investments to economic sectors, increasing efficiency by ensuring synergy of resources, as well as expanding the scope of production of goods and services constitute the basis and purpose of the PPP system. PPP projects are implemented through various investment levers in economic sectors. In particular, the most common classic type is the conclusion of an investment agreement between the state and a private partner, on the basis of which the state partner transfers to the private partner the property object, property right, intellectual property object for the implementation, operation and maintenance of the project provided for in the agreement, and the private partner, in turn, implements the investment project agreed upon in the PPP agreement at the expense of its own funds or borrowed funds, as well as at its own risk.

Literature Review

According to the results of our research on the improvement of corporate governance based on PPP, today there is no consensus on a single definition of PPP in world practice.

Broadly speaking, PPP is usually a medium- and long-term agreement between the public and the private sector, according to which some services belonging to the social sector, which are the responsibility of the public sector, are provided by the private sector with specific infrastructure or services. As a rule, PPP does not include service contracts or construction contracts with state orders, as well as privatization processes in which the role of the social sector is limited [1].

Also, "the term PPP is not defined within the community. In general terms, this term refers to mutual cooperation between government and business to provide financing, build, modernize, manage or maintain infrastructure or provide services [2]. Furthermore, the EU Commission on Regional Policy defines PPP as "the transfer to the private sector of investment projects traditionally undertaken and financed by the public sector" [3]. According to the UN, "DPP aims to finance, plan, implement, and operate facilities for services produced and provided by the public sector, and its main





features are to ensure long-term provision of services to the private sector (sometimes up to 30 years), transfer risks to private investors, it is distinguished by the implementation of multifaceted long-term contract forms of legal entities with state and local structures" [4]. According to the definition of the World Bank Institute, "a PPP is a long-term contract between a private party and a public authority for the creation of public assets or the provision of services, in which the private party assumes significant risks and responsibility for management". According to the definition given by the Asian Development Bank, "The term PPP represents the range of possible relationships between public and private organizations in the field of infrastructure or other services [5].

In addition, in the US Federal Department of Transportation's report to Congress on PPP, "PTP is a contractual arrangement that allows a private partner to participate more in public relations than traditional participation, and this arrangement is usually between a public authority and a private company for the modernization, construction, operation, development, construction, operation of a specific facility, refers to maintaining or managing the system [6].

The Government of India defines PPP as "a contractual or concessional agreement between the government or the public sector and private companies to provide infrastructure services in exchange for user fees" [7].

Within the framework of British Columbia and Canada cooperation, it is interpreted as "a PPP is a legally binding contract between government and business parties for the creation of assets and the provision of services, which establishes the sharing of risks and obligations between the parties" [8].

The Australian government states that "DPP is an assignment of the public and private sector to provide infrastructure and other services to the private sector on the basis of the government's mandate, and it usually assigns tasks such as operation and maintenance to the private sector that built the infrastructure during the entire private cycle" [9].

The Irish government defines PPP as a partnership between the public and the private sector to deliver services and other projects traditionally carried out by the government [10].

In Hong Kong, PPP is interpreted as a contractual agreement aimed at involving a private party in the provision of public services by making a mutual contribution to the enterprise [11].

In France, "Partnership agreement is an administrative agreement, according to which the state or a state organization is exempted from participating in a third party only by adding a share, the investment is defined in the depreciation norms, the



construction, reconstruction, maintenance, use, necessary for the provision of public services on agreed financial terms, is a contract that imposes obligations based on full or partial financing related to the management of tangible and intangible assets.

Most of the researchers who work on the study of PPP issues put forward different theories on the development of the concept of public-private sector cooperation, including its practical component. Modern Western economists have conducted scientific and practical research in this field much earlier than the CIS countries. Due to the fact that PPP entered the practice of developed countries much earlier, the existence of problems in this regard made it possible to study and describe the main features and principles of PPP in detail.

Despite the differences in the interpretation of the definition of PPP, the organizational and legal forms and methods of implementation of the specified goals are limited by the choice of the scope of their activities and the field of practical applications. Most researchers believe that PPP is aimed at solving socially important tasks in mutually beneficial conditions for the state and business. In this regard, the specific features of PPP are as follows:

- Time limit (projects are usually created for a specific object or set of objects, which must be completed within a certain time);
- Restrictions on coverage (projects are attached to a very specific object or complex of objects - large housing construction, airports, seaports, hydroelectric power plants, etc.);
- Implementation in a competitive environment (there is competition for every contract or concession).

Thus, PPP is a legally and organizationally formalized system of relations between the state and business for the purpose of implementing joint projects on mutually beneficial terms.

Analysis and Results

When the public and private partners unite within the framework of PPP, each party realizes its own interests, has its own goals, and solves its specific tasks. There are financial, economic, social and political advantages in the implementation of PPP.

The public sector is interested in improving the volume and quality of infrastructure and socially oriented network services to the population. The main task of the private sector is the desire to receive maximum dividends from participation in a particular joint project. The private sector sets its priorities not only for profit, but also for sustainable cooperation and perspective. At the same time, both parties are interested in the successful implementation of projects. In any case, the state retains the main





levers of regulation and control. Tariff policy, safety control, environmental and technical safety control, service quality control is among the main control levers. The private sector of the economy may be citizens and legal entities represented by non-governmental commercial and non-profit organizations.

The main forms of PPP in the field of economy and public administration include expert state contracts, lease relationships, agreements on the distribution of products and services of PPP enterprises, concession agreements

One of the forms of PPP is the various contracts that the government offers to private companies.

Contracts are administrative agreements concluded between the state (local self-governing body) and a private firm for the implementation of certain socially necessary and useful activities. In the practice of PPP, the most common contracts are contracts for performance of work, provision of public services, management, service for public needs, product delivery, and technical assistance. In administrative contractual relations, the right to dispose of property is not transferred to a private partner. Costs and risks are fully covered by the state. The interest of a private business is that, under the contract, it receives the right to an agreed share in the income, profits or fees collected. Usually, the contracts concluded with the state or municipal body are a very attractive business for a private entrepreneur, because in addition to the reputation, he is guaranteed a stable market and income, as well as possible benefits and advantages.

PPP is another state's property lease (leasing) relationship. A traditional rental agreement and a leasing agreement are characterized by the provision of temporary use of state or communal property to a private partner for a certain fee.

The most common form of PPP in the implementation of large investment projects abroad is concessions. Privileges (concessions) - payment to the beneficiary of the right to use state property on the basis of a contract between the state (grantor) on the one hand and a private legal or individual person (beneficiary) on the other hand and a system of relations arising from the rights to carry out activities that constitute the absolute monopoly of the state on giving on the basis of return.

Concessions are the most developed, promising cooperation and is a complex form. First, unlike contractual relationships, they have a long-term nature that allows both parties to strategically plan their activities.

Second, in concessions, the private sector has the most complete freedom to make administrative-economic and management decisions, which distinguishes them from joint ventures and contracts for the performance of works.



Thirdly, the state has sufficient power to influence the concession in case of violation of the concession terms by the concessionaire within the framework of the concession agreement and the Law, as well as when it is necessary to protect the public interest. Fourth, the state grants the concessionaire only the rights to own and use the property, but reserves the right to dispose of it.

With the wide use of investment tools of the PPP, the following main directions of accelerating innovation processes in economic sectors can be mentioned:

- Development of new organizational mechanisms of the PPP system;
- Creation of a state support system for the results of innovative activities;
- Increasing the motivation to engage in innovative activities in business entities;
- Creation of a favorable economic and legal environment that implies effective cooperation of the state, business, science and society;
- Development of effective and stimulating means of regulation of the innovative sphere;
- Consideration of the possibilities of providing state guarantees for foreign investments attracted by businesses for the introduction of new technologies;
- Ensuring the balance of interests and risks between the state and private partner in PPP;
- Wider involvement of small business entities in state targeted programs and innovative projects.

Conclusions and Suggestions

In general, the success of the entire PPP system and related areas of investment project management, risk management and innovation directly depends on the level of qualification and professionalism of personnel participating in these processes. General economic knowledge is not enough for the responsible specialists working in these areas related to the PPP system, they need to have in-depth specialized knowledge, the formation of analysis and forecasting skills, and the ability to correctly assess factors and risks. Also, it is desirable to establish permanent cooperation and exchange of experience between experts participating in innovative projects and research organizations.

Currently, in the Republic of Uzbekistan, as part of the effective use of the innovative potential of the country, special attention is being paid to directing public and private investments to innovation, research and development, experimental design and technological development. Emphasis is placed on innovative approaches in the organization of relations between the state and private business, including PPP



relations. As in the whole world, PPP has been adopted as a means of improving the efficiency of innovation processes.

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