
ATTARCTING PRIVATE INVESTORS TO PUBLIC-PRIVATE PARTNERSHIP IN UZBEKISTAN

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Abstract. *Despite the reforms in Uzbekistan in the areas of education, health, utilities, energy, transport, information and communication technologies, public-private partnerships, 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. 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.*

Keywords: *Minimum revenue infrastructure projects, innovative projects,, 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%*. These aspects highlight the need to develop Public-Private Partnerships on a global scale.

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

*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>

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 impact of infrastructure made up of the elements of production capacity, as revealed by Nurske (1953), was also predetermined by the fact that infrastructure, which is similar to a small network, is in fact very important and important in its formation. Hirschman (1958) and later Biehl (1994) cited infrastructure as a capital that provides public services. Infrastructure by nature is like a crossroads, that is, successful if implemented by a government or government body with a strong private sector to achieve its intended purpose or result (production, transport, communications, health, education).

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- †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.

Analysis and results

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 ‡. 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 §.

principles of public-private partnership , it is expedient to encourage the implementation of ** investment projects with foreign direct investment in priority areas

† Uzbekistan Republic President ShavkatMirziyoyev High To the Assembly Murojaatnomasidan , 29.12.2020. <https://president.uz/uz/lists/view/4057>

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

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

**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/>

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.

In 2020, 2710.64 billion soums will be allocated for the main sectors of the world's infrastructure. Of the US dollars invested, 49.6% (US \$ 1344.48 billion) are direct investments in transport infrastructure. At the same time, energy, information and communication networks and water supply systems accounted for 32.6%, 10.5% and 7.3%, respectively, or 1363.46 bln. USD. In Uzbekistan, the implementation of public-private partnership projects in these areas is also a priority (Table 1).

Table 1
The volume of global investments in key infrastructure sectors, bln. in USD^{††}

Infrastructure networks	2015	2016	2017	2018	2019	2020
field of transport	1133.65	1231.44	1255.77	1292.80	1318.32	1344,48
Energy	745.10	809.38	825.36	850.30	866.48	883.67
field of information and communication	239.99	260.69	265.84	273.60	279.08	284.62
Water and water supply	164.56	178.76	182.29	188.80	191.37	195.17
Total:	2285,59	2482.75	2531.79	2605,50	2657.91	2710,64

The increase in the share of PPP-based projects initiated by the private sector in Uzbekistan will address such important issues as the optimization of state budget expenditures in the country, increased direct investment, increased funding for infrastructure development projects.

In world practice, it is important to ensure the profitability of public-private partnership projects, to ensure that the private investor is free from financial risks, to ensure the safety of investors. In the form defined by the public partner, in the form of purchase, sale or purchase of options, access fee, budget subsidies, consumer payment guarantees serve as the minimum expected return from the project for the investor in a direct public-private partnership project.

^{††}Created by the author on the basis of the site https://rosinfra.ru/digest/investment_

minimum return is a set of minimum return rates expected from a project to develop public-private partnership projects aimed at reducing financial risks for private investors. Most importantly, setting the expected minimum return will certainly serve as an incentive for the private investor in the implementation of projects. After all, he knows in advance that he will earn at least a certain amount of income by participating in the project. This could be a factor in the involvement of a private investor in the project.

In public-private partnership projects, the private investor is guaranteed a minimum return by the state, and if the expected return is less than this minimum return, the state will have to compensate. Minimum return guarantees do not extinguish the private investor's interest in the success of the project, but rather encourage it, as the investor tends to earn more than the minimum return. It is advisable to set the minimum rate of return based on the capital cost of the project. The following table lists the forms of income guarantee in public-private partnership projects in world practice by sector (Table 2). The minimum return guarantee has a direct impact on the capital cost of the project, the efficiency of the project, so the cost of capital and the expected return on it provide the investor with confidence in the capital.

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.

Table 2

Forms of income guarantee for a private investor in public-private partnership projects^{}**

Areas	Income warranty practice types	Income warranty degree	Most used PPP model	Successful PPP practice which was states
Energy	Public partner by marked in the definition buy get style, options to sell or buy get through	80-100 percent	BOOT, DBFOM,	USA, South Korea, Great Britain, China
Health save	Free use for payment, budget subsidies, taxes privileges, bonds through	Up to 30-60 percent	BTO, BOMT, DBFOM	Germany, Austria, Canada, Chile,
Education	Budget subsidies, free to be used for payments, taxes benefits, consumer demandpayment warranties	50 percent	BTO, OMT, DBFOM	South Korea, India, Germany

^{**}Compiled by the author based on data from the World Bank.

Water farm and water again performance	Budget subsidies, private your partner obligations get through, the will of the owner payment warranties	80 percent	BOMT, DBOOT, DBFOM	Australia, UK , JAR
Transport	Free use for payment, private your partner obligations get through	30-40 percent	BTO, OMT, DBFOM	United Kingdom, United States, Canada,
Housing communal farm	Free use for payment, budget subsidies, private your partner obligations get through, the will of the owner payment warranties	60 percent	BOMT, DBOOT, DBFOM	Russia, Spain, Singapore, Malaysia

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^{§§}."

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.

^{§§}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

The guarantee of minimum profitability in public-private partnerships serves to provide incentives for private investors in the implementation of projects, to achieve a minimum income in any case through participation in projects, and to increase their interest in participating in the project;

Diversification of capital attraction to public-private partnership projects through infrastructure bonds provides private investors with additional benefits from project financing and minimizes the cost of capital for projects;

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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