



DIRECTIONS FOR IMPROVING THE FORMATION OF THE INSTITUTIONAL ENVIRONMENT IN THE EFFECTIVE ORGANIZATION OF THE MECHANISM OF PUBLIC-PRIVATE PARTNERSHIP

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ANNOTATION

The article describes important aspects of the transformation of the state roll in the economic life of society, the formation of a constitutional environment and the integral aspects of local-private cooperation. For this reason, an integral part in the system of economic cooperation of the state and business is the special importance attached to the methods of state regulation. This article is scientifically based on the fact that the state is engaged in the formation of the institutional environment of the partnership and the organization and management of its process, and develops strategies and principles under which the relationship between business and society is being built within the framework of cooperation projects.

KEYWORDS: *public-private partnership, public-private partnership besnesi, partnership with the sector, strategic partnership, private partner, private finance initiative, finance initiative, public-private sector partnership.*

INTRODUCTION

In the economic life of the society, the change of the role of the state, the formation of the institutional environment and the local-private cooperation are considered indispensable aspects. For this reason, the system of state regulation is an integral part of the system of economic cooperation between the state and business. The state forms the institutional environment of partnership (PPP), deals with issues of organization and management of the PPP process, develops strategies and principles on which relations between business and society are built within the framework of cooperation projects.

When talking about the reforms implemented in our country, the subject of state monopoly and privatization has been the cause of many debates. On the one hand, people are dissatisfied with the state monopoly and the resulting inefficiencies in such areas as banking, transport, and automobile industry, and on the other hand, the state is in no hurry to hand over strategic areas to the private sector.

The state has always cooperated with the private sector. This cooperation is usually implemented by the government ordering construction or services from the private sector and covering the costs, or outsourcing certain services to the private sector.

Forms of cooperation of the public sector with the private sector are briefly as follows:

- Traditional supply;
- Outsourcing and establishment department;
- Strategic cooperation;
- Private finance initiative;
- Leasing;
- Contractor use of state property (GOCO);
- Joint Venture;
- Full Customization.



In each of the above forms of cooperation, there is a need for the construction of a certain object or the provision of a certain service, and for this, the private sector is involved.

So, when the state invites the private sector to a project, it determines who will be responsible and how the relationship between these two sectors will be. There are several forms of this relationship.

The chosen model of partnership is determined by whether the private sector will build the project for a certain price, design it, finance the project, or undertake the design, construction, operation and maintenance of the project. In addition, the form of partnership is determined depending on the mechanism of payment to the private sector.

MAIN PART

Currently, among many developed and developing countries, the design / construction / financing / operation / maintenance model of partnership between the public and private sectors is chosen. In Canada, this model is called P3s, and in Britain it is called "Private Financing Initiative" [29].

Private Finance Initiative.[11] This initiative was first announced in Britain in 1991. At that time, this initiative was the first experience of partnership between the public and private sectors, which did not exist yet. According to the initiative agreement, if the state wants to build an infrastructure object, the representatives of the private sector will design it, collect funds for construction, build it and keep the newly constructed building in a functional condition for a long time (usually 25-30 years) and carry out repairs if necessary.

And the state will begin to make a "unitary payment" when the facility is ready and operational. These payments will be calculated taking into account the costs incurred by the private sector in the process of construction, financing costs and interest, operating and maintenance costs. All this will be agreed with the public sector and the project duration monthly payments are made by the state. After the end of the payment period (that is, 25-30 years, as mentioned above), this facility will either be under the care of the state or remain under the care of the private sector.

For example, the state should build a hospital. The state determines how many seats it will have, what departments and diseases it will be used for, what equipment it needs and announces a tender. Representatives of the consortium from the private sector will participate in the tender, calculating how much will be required for the construction of this hospital and the duration of its operation.

Usually, a part of the construction costs is provided by the consortium itself, and a part by taking loans from banks. Therefore, after taking into account the loan percentage, own costs and profit, a 25-year model is made and handed over to the state. This model will be the basis for all future service, costs and payments.

Once the winning consortium is awarded the contract, the private sector will begin construction, with all costs covered by the consortium. From the day the hospital officially starts operating, the state starts making "unitary payments" to that consortium. If the contract stipulates that the hospital will be under state control after 25 years, then after 25 years the hospital will become state property.

During the implementation of the project, legal organizations and "special purpose companies" (Special Purpose Vehicle or SPV) will be established.

Pros and Cons of a Private Finance Initiative. There are several positives to partnering through this initiative:

1. The basis of this initiative is the distribution of risks and who has the capacity to manage them. The private sector is more effective in managing risks than the public sector. In particular, financial risk - private sector businesses are more experienced than the state in closely monitoring the risks of financial loss, as financial profits are at the core of their business. They know several sources of financing and can choose the most optimal way.

In addition, the distribution of financing risk to the private sector will ensure that this project is delivered on time and with high quality. After all, payments from the state will be made only after the facility is built and begins to operate in accordance with the agreed quality. However, the greater the risk, the greater the risk premium, i.e. profit, required by the private sector.



2. This initiative will result in the project being delivered on time and at the highest quality. The private sector is more efficient than the public sector in this regard.
3. Due to the fact that several consortia compete with each other as a result of this initiative, it is possible to get the best quality service at the cheapest and optimal price (value for money).
4. At the same time, this initiative will help prevent monopoly and corruption as it opens the way for greater competition. Because the success of this partnership depends on the transparency of the process.
5. If the cost of construction, operation or renewal of the loan is lower than planned, the profit and loss will be divided equally between the public and private sectors. For this reason, the public sector looks for savings in the exploitation process and avoids things that can cause financial loss (for example, saving energy, not damaging buildings and equipment). The private sector is always looking for ways to get cheaper services.
6. If no changes are made to the project, the state knows exactly how much money it will have to pay during that project. Accordingly, it will be easier for the state to draw up its financial plans.
7. Since the main risks of the project under the private finance initiative are transferred to the private sector, project debts are not shown on the state balance sheet. This would reduce the government's debt and bring in additional funds for investment. In this way, the initiative helps to solve the state's "fiscal dilemma", that is, to increase the amount of investment without going deeply into debt.

On the other hand, critics of the initiative express the following concerns:

1. Initial tender costs for projects can be very high. The longer this process takes, the more expensive it will be.
2. The interest rate on loans to the private sector can usually be much higher than the interest rate on the government. Besides, it is cheaper for the state to use its reserves without taking a loan.
3. As mentioned above, since the main goal of private companies is to make as much profit as possible, there is a possibility that they want to collect as much money as possible from the state.
4. After the contract is signed and the work has started, it will be very difficult and expensive to make changes to the project by the state. Because additional costs will have to be recalculated and included in the model. This is not an easy and cheap process.
5. If the risks allocated to the private sector are too large and lead to the bankruptcy of the contracting company, it can become expensive for the state.

Analysis of the advantages and disadvantages of the PPP mechanism, opportunities and threats in its implementation in the conditions of the Republic of Uzbekistan[30]

(SWOT analysis)

Strengths	Weaknesses
1) balanced distribution of risks, obligations and rights between the state and private sector; 2) reducing the state budget burden; 3) transfer of rights to the private sector with the exception of the procedure for the use and ownership of state property (except for the contract for construction and use); 4) increase the transparency of state expenses for the maintenance of the facility of the DSC (enforcement of contract norms and attraction of debt funds by the operator, i.e. monitoring of creditors); 5) maintenance of levers affecting the activity of the operator (private sector); 6) faster adoption of new technologies; 7) clear orientation of services to the needs of consumers; 8) encouraging the development of the stock market and the banking sector; 9) attraction of private internal and external investments; 10) development of small and medium business;	1) uzoq muddatli protseduralar byudjet investitsiyalariga nisbatan rejalashtirish; 2) bozor sharoitida o'zgarish tufayli uzoq vaqt davomida prognozlashning murakkabligi; 3) ba'zi sohalarda cheklovlar mavjudligi: tarif, litsenziya, va hokazo.; 4) yirik loyihalarda investorlarni jalb qilishning murakkabligi; 5) infrastruktura loyihalarini amalga oshirish uchun moliyaviy resurslarning mavjudligi; 6) DXSH sohasidagi normativ-huquqiy bazaning nomukammalligi.



11) variety of forms of long-term contracts concluded by the private sector with state and local bodies.	
Opportunities	Threats
1) political support; 2) support from international organizations; 3) improvement of the regulatory framework in the field of PPP; 4) implementation of long-term programs of the country's development; 5) experience of using benefits in energy and transport; 6) emergence of new forms of cooperation with the private sector; 7) acquisition and distribution of knowledge and experience in the field of PPP; 8) creation of new jobs; 9) development of the infrastructure of "near project"; 10) providing quality services low prices; 11) introduction of international standards, models, techniques, etc.	1) deterioration of the country's financial indicators depending on the price of mineral resources and the level of inflation; 2) lack of knowledge in the field of PPP; 3) lack of skilled personnel in the use of new technologies; 4) incompatibility of standards.

As can be seen from the results of the SWOT analysis, there are many factors that have a positive and negative effect on the use of the PPP mechanism. The analysis makes it possible to clearly determine what steps should be taken to develop PPPs and what problems should be given special attention.

CONCLUSIONS

What needs to be done for public-private partnerships to be accepted and successful?

So, here is a summary of what a public-private partnership is, its "private finance initiative" model, as well as its pros and cons, and what needs to be done to make this initiative successful:

1. Development of a special legal framework and legislative norms for partnerships. In my view, the most necessary step is to ensure the legality of property ownership and contracts in order to make the necessary changes to the long-term contracts and tax system, considering the norms and legal framework of the current law. It also gives clarity and confidence to both investors and the government.
2. Transparency. It is necessary to be truthful and transparent from the tender process to the end of the contract. Only in a transparent process will it be possible to clarify effective savings mechanisms and ensure mutual trust between the private sector and the public sector.
3. The state's acceptance of partnership as a long-term obligation. The implementation of this initiative shows how serious the state is to this issue. For example, if the state comes up with one or two projects and abandons them halfway, it will be difficult to find partners for such contracts in the future.
4. Tender process. Keeping the tender process as short and thorough as possible will help avoid overspending and ensure that the cost of the project is more affordable. For this, it would be appropriate to develop standards for projects and contracts.
5. Finding/creating alternative funding sources. If the private finance market is valuable to the state, then the state can provide part of the investment itself, become a financial partner in its project and/or reduce the cost further by finding and creating an alternative and low-cost source of finance. For example, an investment fund can build and implement its own project by providing loans.
6. Making it easier to change projects. I recommend not to include "soft services" (cleaning, catering, etc.) in contracts, especially in projects that are already under construction.
8. Risk management. Existing risks must always be reassessed. In the process of risk distribution, both parties must take the amount of risk that they can manage in the most optimal way. Otherwise, one side will suffer and this will lead to distrust between the public and the private sector in the future.
9. Participation of the state as an investor in its project. Having the state become a member of the consortium as a limited investor in its project helps to solve several problems. First, the state closely monitors the project and participates in functional decision-making. Second, since the state is one of the contributors,



it is the norm in terms of service fees and requested prices. Thirdly, the spirit of mutual trust and cooperation between private investors and the state will increase.

10. Concealment of debts. The state should not use this partnership only for the purpose of hiding its debts, on the contrary, it should be used for the purpose of additional investment in infrastructure. For this purpose, the projects built under the partnership should always be monitored and audited, and data should be made open and easily accessible to independent auditors.

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