

Improvement of the institutional foundations of the development of public-private partnership in the service sector

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ABSTRACT

In this article have been researched the features of the formation of the public-private partnership mechanism, the main goals of state policy, the main directions of economic activity between state and private business entities, the main advantages of participation in public-private partnership projects, the implementation of public-private partnership projects, public-private partnership the organizational structure of the private partnership development agency, the main forms of public-private partnership in the service sector, the directions of development of the system of interaction between the public and private sectors.

Keywords:

Service sector, public sector, private sector, public-private partnership, principle, model, concession, forms of public-private partnership, project.

Introduction

Today, the socio-economic development of our country is reaching a new level. At this stage, based on the objectives of the republic's development strategy, we can see that ensuring stable and rapid economic growth in the service sector is one of the priority areas in the development of the national economy. Accordingly, it is necessary to develop current and prospective measures for the development of the service sector in our republic, to take into account the impact of institutional changes on increasing investment attractiveness in the sector, to formulate network development programs from the point of view of increasing investment activity and their consistent implementation.

According to experts' assessments, the stage of industrial development of the world economy will come to an end in the next five years. The next stage of the world economy will be under the influence of cognitive factors, production (service) based on a cost-effective

economy. This leads to a sharp increase in the volume of information required for the development and adoption of management decisions, which ultimately creates an opportunity for the deepening of transformation processes in the service sector.

Currently, the activities of business entities in the service sector are relatively more efficient than other sectors of the economy, in which the turnover of financial funds in the business entities in the service sector is faster and, most importantly, they require less investment to start the initial activity. This makes it necessary to research the institutional foundations of improving economic mechanisms and increasing investment activity in the service sector.

Accordingly, in the conditions of the innovative development of the economy, public-private partnership (PPP) is expanding in our republic, as in many countries of the world. Therefore, the rapid development of various forms of PPP as a unique mechanism of

relations between the private sector and the state in the economy of our country makes it possible to recognize it as an important feature of the market economy.

Literature review

In the scientific literature, the characteristics of the development of partnership relations between the state and business in the field of services, models of the effective implementation of the mechanism of public-private partnership in the world, contractual forms of public-private partnership, the scope and directions of the use of public-private partnership in developed and developing countries, the scope of relations between the state and business in the world economy and the factors affecting the expansion of its forms have been researched from a scientific-theoretical and methodological point of view.

In his work, foreign economist Dj. K. Galbraith [4, 200-250 p.] researched areas such as partnership relations between the state and business, the formation of investment funds, and the conceptual basis of public-private partnership.

J.Pierre, J.G.Peters [21, p. 89-108] highlight the directions of achieving the fastest growth of household incomes by encouraging private investments, and the conditions for using the economic functions of the state for the formation of a competitive environment.

In the works of Russian scientists V.G. Varnavsky, A.V. Klimenko, V.A. Korolev [1, 45-85 p.], the formation of the system of economic relations between the state and the private sector, the economic essence of the category "public-private partnership" and content, goals and objectives, structure and models, the main directions of economic activity between state and private business entities, sources of attracting financial funds for the implementation of forms of cooperation between the state and business, directions related to state and public property objects were studied.

In the abstract of V.A. Kabashkin's dissertation [6, 15-18 p.], the economic content of the "public-private partnership" category, its goals

and objectives, public-private partnership models, and the main directions of economic activity between state and private business entities were researched.

E.D. Frolova's article [15, p. 31-32] provides the ways to ensure the participation of the private sector in the management and financing of socially significant strategic projects, as well as the ways of implementing socially significant projects in a wide range of economic activities, and its advantages.

In the scientific article of economists S.E. Elmiraev, N.Sh. Shavkatov [20], role and factors are studied advanced foreign experiences of public-private partnership relations and the prospects of their application in our country, the main forms of public-private partnership, public-private partnership in the system of interaction between the public and private sectors.

Research Methodology

In the process of research were used a dialectical, systematic and scientific approach to the study of the formation of cooperation and economic relations between the state and the private sector, the principles, forms and models of the development of public-private partnership in the service sector, economic systems and ratios for the implementation of public-private partnership projects, comparative and comparative analysis and grouping methods.

Analysis and results

At present, there are several alternative directions of policy implementation in this direction in order to activate investment processes in order to increase the effectiveness of the development of economic entities in the service sector. The choice of one of them is determined by the future expansion of the internal and external capabilities of the enterprise. These directions include:

- use of special methods of influencing changes in the external environment in order to introduce an effective mechanism of activation of investment processes;
- forming the internal economic potential of the service enterprise, increasing

the effectiveness of investment projects and programs for social purposes;

- determination of one's goals and tasks for achieving high results of business activity;

- establishment of integration processes between networks and business entities in the service sector;

- establishment of effective activity in a certain segment of the market, establishment of activities of separate enterprises from specialized large economic entities providing various types of services.

Attracting the necessary financial resources for investing in social projects is realized on the basis of enriching the economic entity with the necessary aspects, and these investment resources will be important in its development.

Today, the acceleration of transformation processes in the socio-economic sphere necessitates the development of long-term directions of state policy in the field of PPP. Investment projects aimed at the creation and reconstruction of infrastructure facilities serve not only to improve the quality of life of the population, but also to accelerate the rate of economic growth. At this time, the implementation of infrastructure projects is hindered to a certain extent by the limited funds of the public sector.

The main advantages of participation in PPP projects for the government are:

1. Reducing project risks. Cooperation with private investors allows using market principles to select the most effective projects. In international practice, cases of exceeding the estimated cost of construction under PPP are much rarer than in the state order mechanism;
2. Improving quality and reducing costs in the use of facilities. According to statistics, actual cost overruns in PPP projects are about three times less likely than in government contracts. Also, overruns are typical for both PPP and government orders. However, in PPP projects, overruns occur in the early stages (due to more complex preparatory work), while in public contracts, delays occur more in the construction and implementation phases of projects. However, the efficiency of management in PPP projects largely depends

on the effectiveness of the state management system: that is, preparation of documents and work on the project at the pre-project stage, as well as optimal distribution of risks between PPP parties and ensuring the principle of competition in tender processes.

3. Involvement of new technologies. High quality requirements and competitive procedures for the implementation of PPP projects help to expand the scope of innovation and attract technologically advanced performers to the projects.

4. Attracting additional financial resources. Shifting financial obligations to the private sector is one of the main advantages of PPPs. This creates conditions for providing infrastructure facilities with additional sources of financing. PPP creates additional budget revenues and allows collecting fees from users of infrastructure facilities. At the same time, it is important to note that covering current and capital costs to fully support an infrastructure facility through future usage fees is a complex task and may not always be feasible. Also, PPP allows to increase the efficiency of using infrastructure facilities and thereby release additional resources;

5. Increasing the return of the infrastructure object. The private partner will be interested in increasing the project's cash flows by raising financial resources, assuming obligations to borrowers and shareholders;

6. Additional tools for project implementation. If the quality of the provided services is low or expensive, the public partner can change the operator of the infrastructure object.

7. Improving the efficiency of facility use. The PPP mechanism includes more incentives and opportunities to increase the efficiency of the use of infrastructure facilities. First, PPP allows construction and operation to be combined under a single contract and encourages the private investor to save capital and operating costs of the project. Secondly, the PPP contract determines the amount of revenues and the quality of services for the project, which (if the population pays for the services of the facility) encourages the investor to minimize costs while meeting the quality requirements, and obliges the competent authorities to cover the

operating costs (if the services of the facility are paid from the budget). . Thirdly, some types of PPP allow to directly regulate the quality of work by specifying the necessary requirements in the PPP contract.

The increase in attractiveness of local and foreign investments will allow renewal of fixed assets of service enterprises, increase in the volume of export of services, import of modern technologies and increase of practical skills. Therefore, in the near future, it is important to consider the following as the main tasks of the

policy of attracting direct investment to the country's economy, including:

- improvement of the regulatory framework in the service sector and further improvement of the business environment;
- to determine the directions of the regional investment policy to increase the attractiveness of investments;
- improvement of the practical mechanism of insurance of foreign investments;
- - improvement of the system of intersectoral distribution of investment funds.

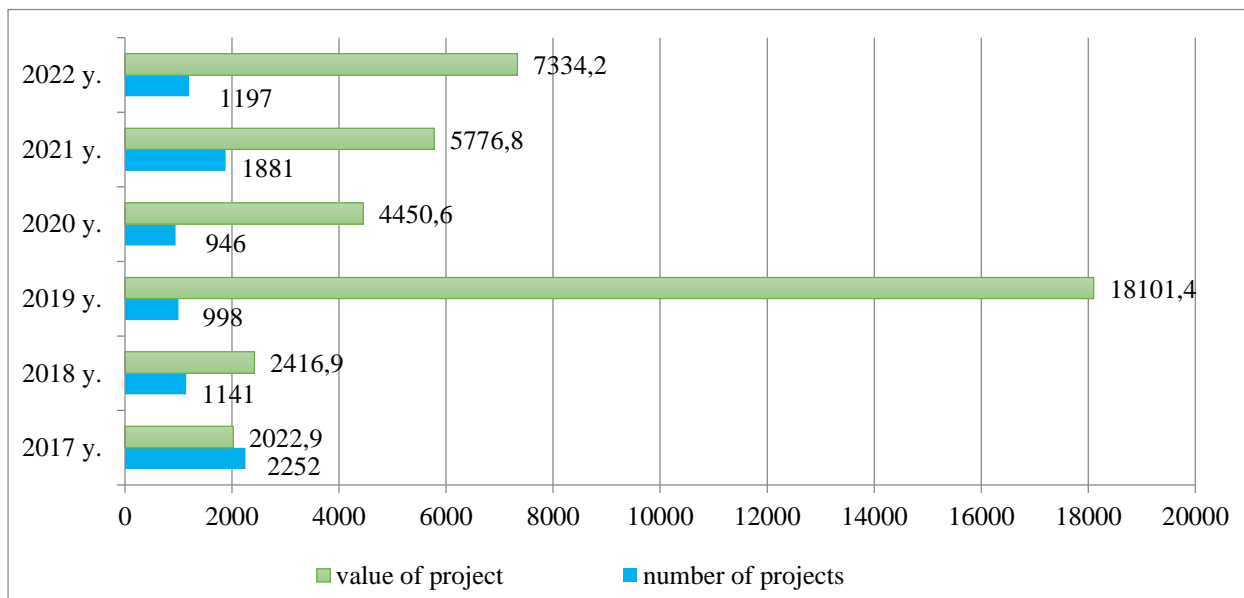


Figure 1. Number and size of regional investment projects implemented in Samarkand region (units, billion soums)

If we analyze the number and size of regional investment projects implemented in Samarkand region in terms of economic sectors, in 2018, 215 investment projects were implemented in industry, 177 in agriculture, and 749 in the service sector. 63.4% of these investment projects were included in industry, 24.7% in agriculture, and 11.9% in service

sectors. In 2022, 335 investment projects were implemented in industry, 281 in agriculture, and 581 in the service sector. In the region, 52.0% of investment projects were implemented in industry, 13.1% in agriculture, and 34.9% in service sectors (Table 1, Figure 1).

Table 1

The volume of investments in the service sector and industries in Samarkand region (billion soums)

Industries and sectors	Years					
	2018		2020		2022	
	number of project	cost (billion soums)	number of project	cost (billion soums)	number of project	cost (billion soums)
Industry	215	1532,0	256	2545,7	335	3813,5
Agriculture	177	597,4	398	1035,7	281	961,4
Service	749	287,5	292	869,3	581	2559,3
Total:	1141	2416,9	946	4450,7	1197	7334,2

Implementation of investment projects of national importance in Uzbekistan leads to high economic efficiency from internal and attracted investment resources of enterprises.

The number of jobs created on the basis of regional investment projects in Samarkand region has increased from 10,044 to 19,468 between 2018 and 2022. The most jobs are Bulung'ur (9.8 times), Jomboy (3.9 times), Istikhhan (4.3 times), Narpay (3.8 times), Nurabad (3.2 times), Toyloq (3.1 times) districts contributed. In 2022, compared to

2018, a downward trend was observed in Okdarya (81.1%), Pakhtachi (55.8%), Urgut (99.4%) districts (Table 2).

Factors related to the transformation of the external environment in the service sector are among the important factors affecting the activities of enterprises. Some of these transformational processes may be determined by the enterprise or arise based on its existing requirements. Let's say that there is a need to increase the investment attractiveness of the enterprise in order to attract investments.

Table-2

Number of jobs created on the basis of regional investment projects in Samarkand region (unit)

Regions	Years					Growth in 2018-2022 (%)
	2018	2019	2020	2021	2022	
Samarkand region	10044	23887	9329	13545	19468	193,8
Samarkand city	1879	618	245	646	3298	175,5
Kattakurgan city	393	2118	538	710	560	142,5
Districts:						
Bulungur	259	1063	609	884	2547	9,8 марта
Jomboy	251	1880	542	1 037	971	3,9 марта
Istikhhan	274	591	547	417	1182	4,3 марта
Kattakurgan	393	745	440	443	470	119,6
Narpay	271	723	631	804	1025	3,8 марта
Nurabad	218	1183	477	589	695	3,2 марта
Akdarya	966	1263	466	489	783	81,1
Payarik	573	517	546	1 067	868	151,5
Pastdargam	239	2180	759	591	1301	544,4
Pakhtachi	351	1078	485	529	196	55,8
Samarkand	728	1411	166	1 455	1254	172,3

Toylok	298	5315	1270	1 186	916	3,1 марта
Urgut	2456	830	363	992	2442	99,4
Kushrabort	495	2372	1245	1 706	960	193,9

The conditions for the development of PPP can be economic and non-economic. Economic conditions depend on the efficiency of social reproduction, such as the formation of a favorable institutional environment and infrastructure development, support of small business, creation of science, education, financial and credit institutions, stability of the economy, increasing the level of knowledge and professional training of cooperation participants. includes conditions. These conditions affect the nature of the external and internal environment of private business entities. The non-economic conditions for the development of state and private business cooperation reflect the political and social situation in the republic.

Also, conditions can have a positive and negative description. If the conditions of a positive description increase the economic efficiency of the use of cooperative relations between the state and private entrepreneurship and develop its potential, the negative aspects hinder the development of this cooperation. For example, the creation of favorable conditions for the formation of partnership relations between the state and the private sector plays an important role in the development of the competitive environment. In this, there are equal opportunities to participate in the partnership of different enterprises, because only healthy competition increases the efficiency and activity of the private sector. Therefore, it is necessary for executive state authorities to help create a competitive environment for private business activities.

The successful implementation of partnership relations in the economic system contributes to a promising and stable market environment, a stable regulatory base, the entrepreneurial ability of civil society, the level of competence of specialists of state authorities, the development of research,

innovation, production activities and the increase of human potential.

It is important to involve all relevant state bodies in the development and implementation of PPP policy in our country. It is necessary to determine the possibilities of using PPPs in order to develop a common approach to their implementation through representatives of various ministries (transportation, finance, housing and utilities, energy, health, education, etc.). Coordination and cooperation within the government provides a solid foundation for the effective implementation of PPP policies. If there are specific characteristics of a particular sector at the level of local authorities, appropriate measures should be taken to ensure interoperability and a clear division of responsibilities.

Stakeholder consultation is important in developing PPP policies. Given that PPP policies may influence various policy projects and plans, it is important to ensure opportunities for all stakeholders and consumers to participate in policy development and decision-making.

The most important thing is to determine the legitimacy of using PPP mechanisms and networks, where achieving high results is realistic. So:

a) the project should be a project that recognizes the social and economic need at the same time and is supported by the majority of political opinions;

b) it is necessary to use already known and proven technologies to search for the market and attract potential partners to the PPP project;

c) The cost of the project must be transparent and acceptable to the sponsoring ministry or agency. The project must be significant enough to attract the interest of international investors and businesses interested in obtaining incentives.

d) the cost of the project must not only be acceptable: the responsible authority must be creditworthy (or a flexible lending mechanism must be available).

There may be conflicts of interest between the government and the private sector in project implementation, so it is important to create an informal communication mechanism to resolve issues. Issues and tensions can be defused before they escalate into serious conflicts by establishing discussion forums where government officials and stakeholders can engage in open discussions.

Part of the PPP policy should include a strategic communications plan that explains the benefits of the program and avoids unwarranted criticism of PPPs in the media or elsewhere. When conducting pre-project activities, PPP promoters are free to emphasize issues such as reducing transportation or increasing access to future economic benefits and services, especially for economically and socially disadvantaged segments of the population.

The implementation policy of PPP should be provided methodically and guarantee credibility for investors. The types of government support that information support can encourage investors should be clear. In addition, projects need consistent market penetration to ensure that private partners and management companies are ready to implement potential projects and programs.

In our country, PPP programs are a relatively new process, and there is still no international mechanism through which governments can implement a well-functioning common policy. Given the growing importance of PPP programs, it is necessary to encourage the creation of international forums where PPP experiences can be shared and policies for PPP implementation can be formulated.

According to practical experience, the factors that hinder the development of the PPP mechanism are: lack of competitive environment, important political and economic risks, low qualification of labor resources, corruption.

The main aspect in the development of PPP in the economy of our republic is to

increase the efficiency of existing forms of PPP in the service sector and to identify factors that help to introduce promising directions of this cooperation.

In order to institutionalize the PPP, it is necessary to determine the forms, methods and priority sectors of cooperation initiation and support, as well as to develop administrative regulations for the joint activities of the state and business in the model forms of the contract between joint projects and partners.

In the conditions of transformation of the economy, the favorable business environment and insufficient level of entrepreneurial culture in the service sector are considered to be the factors hindering the popularization of new forms of PPP.

Therefore, in order to solve the problems of the transition to the market model of economic development, it is necessary to re-create and form innovative-technological sectors, in addition to provide them with financial support, and to organize innovative infrastructure. The successful implementation of PPP projects is supported by providing positive conditions for the formation of small business entities in the service sector.

In the direction of development of the business environment in the service sector, it is necessary to implement an effective state policy that envisages the development of business infrastructure, financial institutions, and the reduction of administrative barriers. The development of PPP is determined by positive and negative factors affecting it.

The existing institutional restrictions on the rapid development of PPPs in our republic are as follows:

- Non-development of programs and target plans for the formation and implementation of the PPP mechanism and their systematic implementation;
- lack of appropriate management apparatus for regulating partnership relations;
- the presence of corrupt situations regarding the implementation of investment projects on the basis of a tender;
- non-formation of public law institutions and public property.

Also, the factors that have a negative impact on the development of state and private business relations in the republic include:

insufficient formation of the business environment, high level of corruption, low efficiency of civil-legal relations.

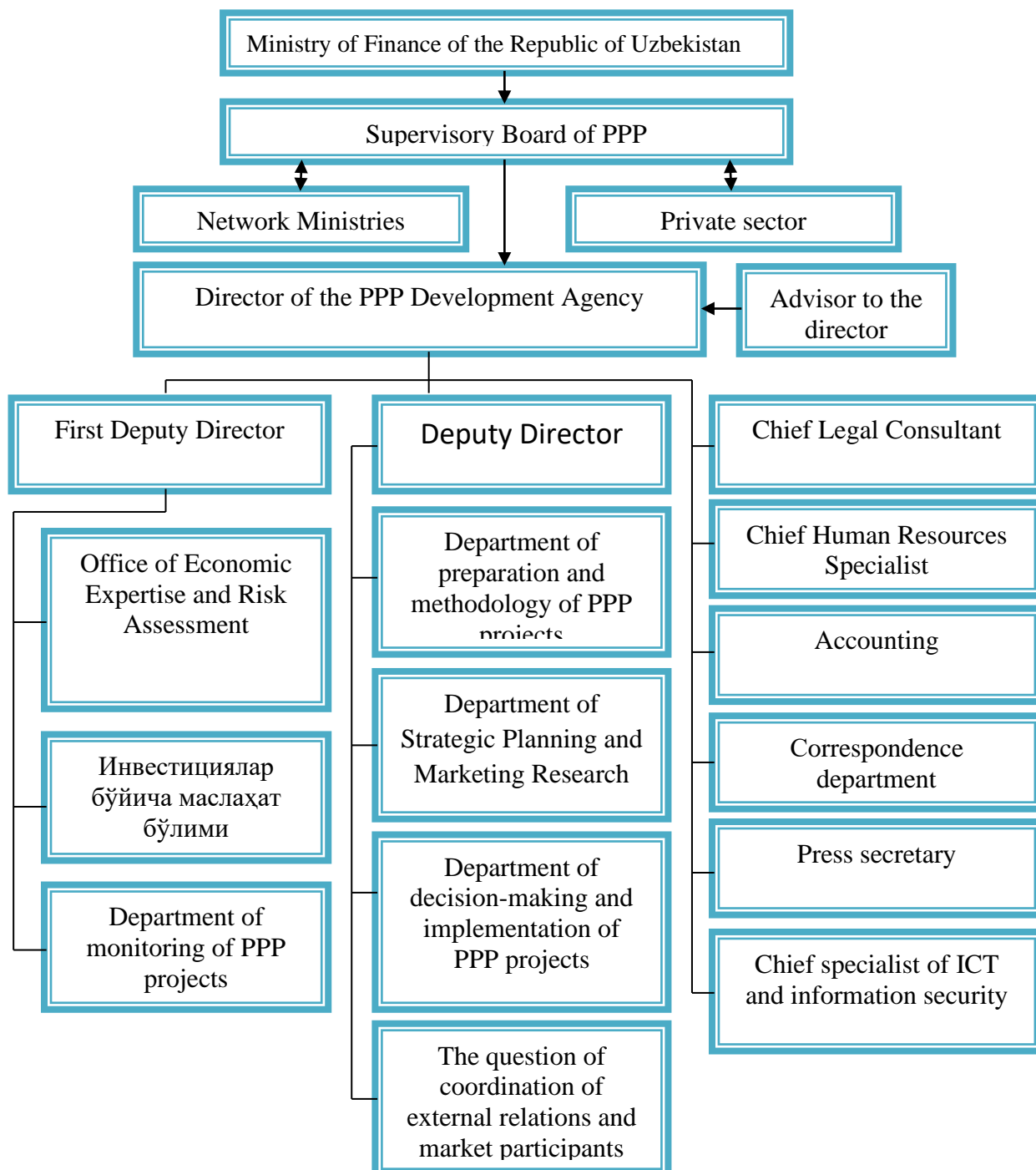


Figure 2. Organizational structure of the Public-Private Partnership Development Agency ¹

¹ It was proposed by the author on the basis of the organizational structure of the agency in accordance with the Decision of the Cabinet of Ministers of the Republic of Uzbekistan No. 1009 of December 12, 2013 "On the effective organization of the activities of the Public-Private Partnership Development Agency under the Ministry of Finance of the Republic of Uzbekistan."

Based on this, in order to create a positive environment for the effective implementation of the PPP mechanism, it is necessary to develop comprehensive measures to improve the institutional foundations of such cooperation between the state and business, to implement an effective anti-corruption policy, and to ensure the transparency of common projects. The main thing in this is the development of public control institutions that provide social control over these projects.

Currently, the implementation of the decision PQ-3980 of October 20, 2018 of the President of the Republic of Uzbekistan "On the first priority measures to create a legal and institutional basis for the development of public-private partnership" and the activities of the Public-Private Partnership Development Agency under the Ministry of Finance of the Republic of Uzbekistan in order to ensure this, the management structure and regulations of the agency were developed in accordance with the Resolution of the Cabinet of Ministers dated December 12, 2013 No. 1009 "On the effective organization of the activities of the Public-Private Partnership Development Agency under the Ministry of Finance of the Republic of Uzbekistan". In this decision, the "structure of the agency's management staff consisting of a limited number of 30 people" was mentioned and the goals and tasks of the agency and the directions of activity were mentioned based on the developed Regulation.

Based on the above comments, we have developed the following conclusions:

1. The implementation of mutual relations in the form of PPP consists of the potential benefits and advantages that public and private partners can get for themselves as a result of the implementation of PPP projects. Some recommendations for improving the organizational structure of the public-private partnership development agency presented in Figure 1 have been developed. In order to harmonize the structural structure of the agency's activities, it is appropriate to include the PPP monitoring board, to establish an investment advisory department and a

strategic planning and marketing research department.

2. Today, implementation of the PPP mechanism based on opinions about the role of state and private entrepreneurship in all sectors and branches of the economy is one of the priority tasks in the strategic development of the republic.

3. The process of developing the mechanism of PPP in the republic should be carried out step by step and the results of each step should be studied separately. Also, in the first stage, it is necessary to implement several main projects of PPP, and for this, in order to reduce the risk level of experimental projects, they should be of low value with short payback periods.

4. The public, representatives of the private sector, local government and self-governing bodies should be provided with the opportunity to study the essence of PPP, its use mechanisms and practices, the experience of other countries, and existing social and economic problems. Based on this, it is necessary to strengthen activities through mass media in order to ensure confidence in modern production, economic and financial relations in the republic.

5. Project evaluation criteria should focus on specific PPP projects that have a social orientation and take into account the interests of the population, who are the main consumers of services. In this case, it is very important to carry out explanatory work on the implementation of the project and to provide objective information about the results of the realization of PPP projects. Accordingly, evaluation and monitoring of results should be carried out by independent non-governmental organizations.

6. Taking into account the social importance of projects in the conditions of the republic, in order to encourage private entrepreneurs, their implementation period should be at least 3-5 years.

Conclusions and recommendations

1. In the process of researching the mechanism of public-private partnership and many classifications of its development

principles, the mutual relations between the public and private sectors of the economy should be based on the principles of payment, selection, term, returnability, equality, goal orientation.

2. The main forms of development of relations between the state and the private sector in the field of service provision: mutual cooperation based on state contracts; lease agreements in the service sector; leasing agreements in the service sector; agreements on distribution of services (products); investment agreements; concessional relations; formation of joint stock companies; expressed as the participation of private capital and innovative activities in state enterprises. In this case, the choice of a specific model depends on the implementation of socially and economically important projects.

3. The process of developing the mechanism of PPP in the republic should be carried out step by step and the results of each step should be studied separately. Also, in the first stage, it is necessary to implement several main projects of PPP, and for this, in order to reduce the risk level of experimental projects, they should be of low value with short payback periods.

3. In the course of the research, scientifically based measures were developed for the implementation of the PPP mechanism at the level of the national economy:

- research of advanced foreign experiences;

- to study the economic possibilities and conditions for introducing the PPP mechanism in the region;

- interpretation and study of the regulatory framework relevant to the field in the country;

- Development and justification of the principles of formation of the PPP mechanism;

- Development of a mechanism for realization of PPP projects;

- Determination of priority areas and sectors of PPP implementation;

- development of recommendations on the application of PPP in its practice based on the development characteristics of the republic.

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