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Prospects For Private-Public Partnership In The Development Of The Innovation Sphere In Uzbekistan

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Abstract

In recent years, the topic of public-private partnership in various fields of activity has become more and more relevant throughout the world. This paper reviews the tendency to strengthen cooperation between government and business. First, this was manifested in such areas as electricity, transport, health care, education, agriculture. The advantages and risks of PPP were, also considered in this article.

Keywords: *public-private partnership, agriculture, state, innovation.*

Introduction

Currently, in many countries with transformational economies, a new institutional structure of the economy is being formed, shifts are observed in the system of economic relations between the state and the private sector. Ensuring the competitiveness of the national economy, as well as its sustainable development, is impossible without the consolidation of efforts of state authorities and the business community. In many countries, public-private partnership is becoming the most common form of cooperation between government and entrepreneurship, because it often finds services and solutions that are more cost-effective than traditional approaches in management.

The term public-private partnership (PPP) characterizes a relationship when public and private resources are combined to achieve a goal or a group of goals that are mutually beneficial to both a private entrepreneur and the state. Public-private partnerships can be defined as "the formation of cooperative relationships between government, profit-making firms, and nonprofit private organizations to fulfil a policy function" [1]. In addition, public-private partnership, as world practice shows, plays an important role in the integration of science, education, production and finance in order to increase the competitiveness of industry and the development of an innovative economy. The latter aspect is the most important for Uzbekistan, where more and more attention is paid to the rational use of the country's scientific potential, an increase in public and private investment in innovation, research, development and technological work. Moreover, the stake is placed on innovative approaches to the organization of relations between the state and business, in particular, on public-private partnership (PPP). Considering different goals, the governments in each country should introduce or tailor policies and guidance to govern PPPs effectively under a particular legal framework, as well as a suitable economic and administrative system [2].

Advantages and risks of PPP

In the existing literature we can find arguments in support of PPPs in international affairs. First, their supporters emphasize their potential effectiveness and efficiency and argue that they can increase world problem-solving capacity. In those areas in which public actors have only limited human and material resources, non-state actors can come to the rescue. Sharing resources between public and private actors, for example in such areas as environmental research, international development or humanitarian aid, can increase the capacity of governments and international organizations to solve specific problems [3]. Public-private partnership has a number of advantages that make it possible to effectively implement infrastructure projects using the strengths of each of the partners.

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The first group of PPP advantages is that the state uses the efficiency of the private sector in the construction process. When the private sector is involved in construction, the process is more efficient, within budget and timelines. This is achieved through a payment system that is tied to the phased execution of work within a specified time frame. If these deadlines are not met, the agreement provides for fines.
The second group of benefits includes cost reduction during the entire project life cycle. In well-designed PPP contracts, operating costs are borne by a private investor. This leads to the fact that the investor is interested in the highest quality of construction of the facility, in contrast to conventional projects, where different companies carry out construction and operation.
The third group of advantages includes the provision of services focused on quality results. Since in infrastructure PPP projects the investor depends on payments from the population, the private sector is directly interested in the high quality of service delivery.
The fourth group of advantages includes effective risk sharing.
One of the main principles of PPP is the distribution of risks to the party that can better manage them. For each individual project, the risk distribution scheme may be different, depending on many factors. (from geographical to economic).

In addition to positive aspects, there are a number of ***risks*** that participants in public-private partnerships have to face and look for ways to mitigate them. These risks include ***a lower quality of control and management*** compared to conventional projects. This is due to the long term of PPP contracts. Complicated and complex project management, which lacks the mobility to adapt to rapidly changing external conditions.
Financial risks are an integral part of public-private partnership projects, since financial flows in such projects depend on a number of factors, some of which are very difficult to predict.
Depending on national legislation, there may also be problems with changing the essential terms of such agreements, which are required to be made due to force majeure or fraud by one of the parties. With effective planning and good faith of PPP participants, it can become the main tool for the implementation of infrastructure projects. Attracting private capital will allow states to increase the number of effectively implemented infrastructure projects several times.
Partnership between government and business.
The interaction between the state and the private sector for solving socially significant problems has a long history. The most illustrative experience of public-private partnerships was gained in Great Britain ("public-private partnership" in financing infrastructure development in 2000). In foreign countries, the term PPP is often used for almost any form of cooperation between government and private business. All over the world, public-private partnership is considered to be one of the most effective forms of increasing the efficiency of innovation processes.
PPP is currently defined as a contractual agreement between government agencies and a private enterprise. A typical PPP structure can be quite complex involving contractual arrangements between a number of parties including the government, project sponsor, project operator, financiers, suppliers, contractors, engineers, third parties (such as an escrow agent), and customers. The next figure shows a simplified PPP structure. However, the actual structure of a PPP depends on the type of partnerships [4].

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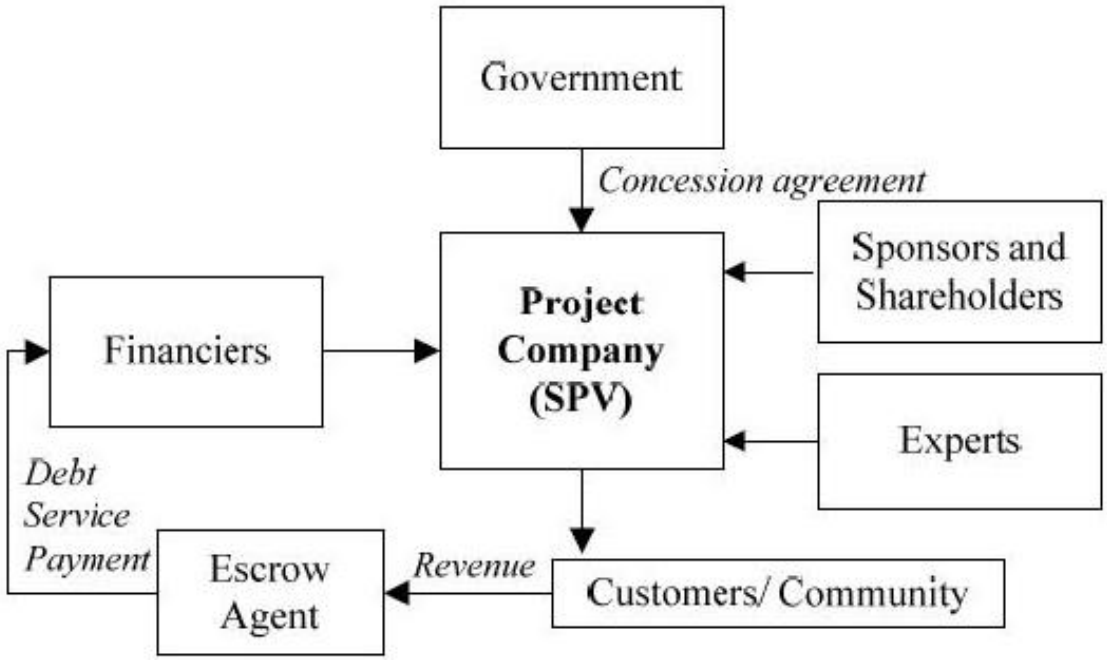

Figure 1: Typical structure of a PPP project.

Note: The box on the right side labelled "expert" represents various participating groups in a PPP project including engineers (designer), contractor (builder), operator and insurer. Similarly, the box on the left side labelled "financiers" includes various parties investing in a project comprising equity and debt financiers which may include domestic and foreign banks and financial institutions, bi-lateral and multi-lateral donor agencies, development banks, and similar other agencies. The box labelled "escrow agent" represents normally a financial institution that is appointed by the project company and the lenders for managing an account called escrow account. The escrow account is set up to hold funds (including project revenues) accrued to the project company. The funds in the account are disbursed by the escrow agent to various parties in accordance with the conditions of the agreements. An escrow account is also used to hold a deposit in trust until certain specified conditions are met.

PPP in the development of innovation

In accordance with the classification of the World Bank, Uzbekistan is currently at the stage of transition from a factor-oriented stage to a mixed investment and innovation model of economic growth. To enhance innovation in Uzbekistan, the resource potential of the private sector of the economy should also be used. The primary task of the state in this regard is to promote in every possible way private investments in the innovation sphere. At the same time, a significant expansion and qualitative transformation of the system for supporting innovation processes at the expense of state resources is required in terms of both non-repayable (grants) and repayable (lending and investment) state financing of innovation projects.

Uzbekistan is in the group of countries in the world where innovations are mainly created by the state with minimal participation of the private sector and universities and where public-private partnerships in the scientific field are underdeveloped. Due to the insufficient level of development of the private business sector, there is a weak demand for domestic innovative products and services, which is a key factor holding back the promotion of innovations in the republic. Enterprises spend a significant part of their costs on innovation through the purchase of foreign equipment and technology, which is also due, in our opinion, to the lack of measures to stimulate the relationship and cooperation of domestic science and business

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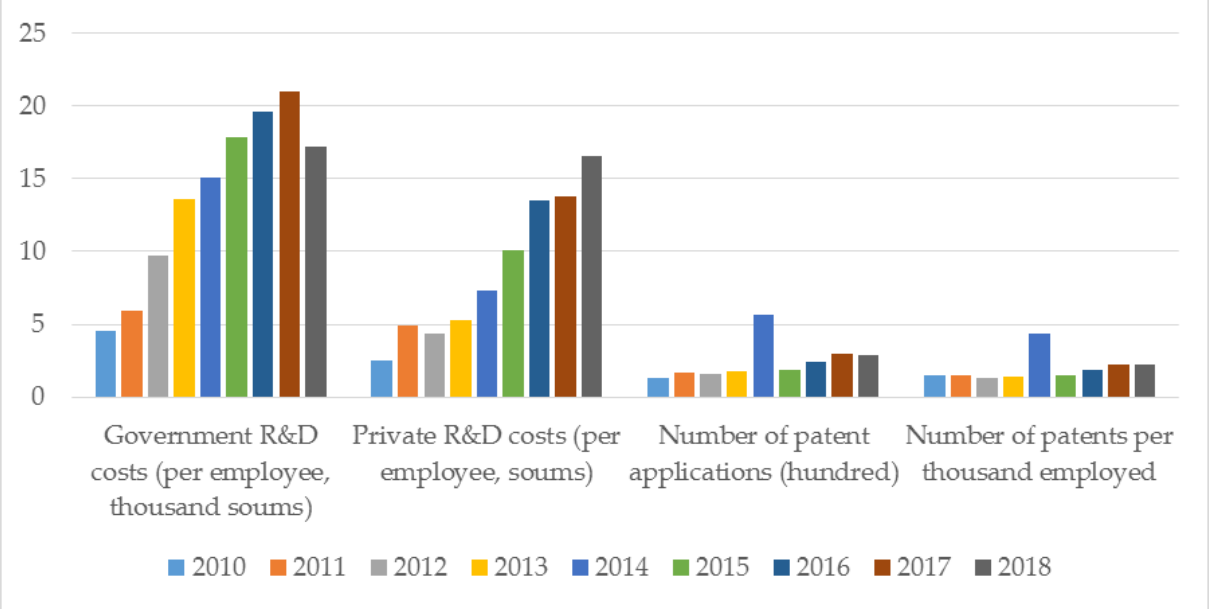
Figure 2. Indicators of innovative activity in the Republic of Uzbekistan

The most important indicator in the innovation sphere is the performance of science, which is expressed in indicators of the innovative activity of the public and private sectors in the national economy.
Since the mid-2000s, R&D costs have increased significantly, but in terms of funding, the republic still lags behind the world average. Most scientific research is funded by the government. The private sector does not actually participate in the innovation process. Venture funds have not yet received widespread development, and small and medium-sized businesses are not very willing to invest in innovations due to the high riskiness of innovative projects and the lack of financial resources.

PPP in the development of agriculture in Uzbekistan



Agriculture in Uzbekistan is one of the priority sectors both economically and socially. Today it provides 32 percent of GDP and 27 percent of work force is employed in agricultural sector. In recent years, some work has been carried out in the direction of reforming the country's agriculture, in particular, to improve the public administration system, to widely introduce market relations, to strengthen the legal framework for relations between entities that produce, process and sell agricultural products, to attract investments to the industry, to introduce resource-saving technologies, as well as providing agricultural producers with modern technology.
Considering that agriculture is the leading branch of the republic, the key a component of the state economic policy of the country is a scientifically based agricultural policy as the most important condition for stabilization and effective agricultural development, the main factor in ensuring food security of the country.
The National Strategy for the Development of Agriculture of Uzbekistan for 2019-2030 provides for measures to develop a public-private partnership model for the provision of additional services in the sector, as well as to fundamentally reform the sphere of science and sectoral research institutions.
It is the implementation of investment projects for the construction of new, reconstruction and modernization of existing processing enterprises, equipped with the most modern high-tech equipment for more deep processing of agricultural products, production of semi-finished products and finished food products, as well as packaging products contribute to the dynamic the development of agricultural production and the achievement of sustainable rates development.
Improving the efficiency of agricultural production is inextricably associated with attracting long-term investment and the development of new forms and instruments of investment in agricultural production.
As world practice shows, the best way to attract private business in the agricultural sector is the use of public-private partnerships. In world practice, the most common forms of PPP in rural areas are

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concession, investment agreement, agricultural leasing, contracts life cycle, agreement on the creation of a consortium.

In Uzbekistan, it is especially important to develop this mechanism of interaction between the authorities and business in the field of agricultural production. This is due with the activation of investment processes in this industry, the creation of large agro-industrial associations, the formation of forms agribusiness, solving the issue of expanding the export of agricultural products and providing food security of the country.

For the development of PPP in the field of agriculture should be done following measures:

develop forms of PPP with involvement of higher education institutions and research centers; create a system PPP management, allowing to minimize transaction costs and efficiently use available resources; form financial and economic institutions, who will participate in the implementation of PPP projects; provide training and advanced training of the management of PPP; develop and provide methodological support and information support for the implementation of PPP projects; formulate procedures for the competitive selection of participants in PPP projects and provide them transparency. Combining efforts of business, government and science will contribute to solving food security problems, increasing competitiveness, ensuring high quality and availability of manufactured products through a comprehensive modernization of agriculture.

The ultimate goal of the development of agriculture in the republic with the help of the mechanism PPP should become the provision of sufficient volume of high-quality agricultural products and the provision of various services in agricultural industry.

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Conclusion

Government innovation policy measures are already yielding positive results - an increase in absolute indicators of investment in R&D by the state, business and universities, and nascent venture capital. But these measures do not have a special impact on the institutional structure, socio-economic consequences so far. From this perspective, PPP can become a decisive condition for the development of innovations, creating a space for research and development outside government structures, which creates a favorable environment for the introduction of innovations.

Today, Uzbekistan is only at the beginning of the path to create conditions for the full development of PPP. The development of PPP will make it possible to fully use the potential of the private sector and qualitatively improve the provision of public goods in spheres 0f road construction, housing and communal services, electricity, water supply, agriculture, education and healthcare. Thus, resources, experience, incentives and other advantages of the private sector can ensure rapid implementation in the modernization of socio-economic infrastructure, without burdening the budget with large operating costs. We consider the phased introduction of the PPP system to be an expedient and well-considered approach, which will make it possible to fully realize new sources of economic growth and contribute to the solution of strategic socio-economic problems.

Regional strategies focus on a new generation of smart strategies. They are determined by the following characteristics: a) smart growth based on knowledge and innovation, b) sustainable growth based on resource conservation, ecology and a competitive economy, c) innovative growth that promotes high employment and economic, social and territorial alignment. In general, state support for innovation at the regional level is carried out in three areas: 1) innovation policy aimed at stimulating innovation (in the field of competition, trade policy); 2) policies aimed at adapting to changes (human capital development and innovation policy as a whole); 3) support policy (social and regional policy with the objectives of redistribution). The embodiment of scientific discoveries into an innovative product requires the creation of an interactive market environment. [5]

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