

THE ROLE OF PUBLIC-PRIVATE PARTNERSHIP IN THE DEVELOPMENT OF RAILWAY PASSENGER TRANSPORT SERVICES IN UZBEKISTAN: INTERNATIONAL EXPERIENCE AND RECOMMENDATIONS

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Abstract

The article presents an examination of foreign experience in creating and operating a management system for public-private partnership projects. The study presents the most successful practices in the development of public-private partnerships. The analysis of practical experiences in the domain of public-private partnerships led to the identification of the principal criteria for the success of public management systems for such projects. The identified criteria were then used to consider the possibilities of improving public-private partnership mechanisms in selected areas in the Republic of Uzbekistan. Furthermore, the implementation of public-private partnerships in the further development of the railway passenger transportation sector was contemplated.

Keywords: Public-private partnership; control system; passenger transportation by railway; railway stations; foreign management experience.

Introduction

Public-private partnership (hereinafter referred to as PPP) is defined as a mutually beneficial cooperation between the state and business, legally formalized for a certain period of time, based on the sharing of risks between the state partner and the private partner, for the implementation of state and public property objects and various socially significant projects. In the Republic of Uzbekistan, this area is regulated by the 2019 Law "On Public-Private Partnership", which includes measures to support entrepreneurs and potential investors by the state.

Nevertheless, the formation and development of the PPP project management system in Uzbekistan continues to face a number of problems related to the conflict of interests of the public and private sectors, as well as the choice of the most effective form and model of relations. This, in turn, creates the need to search for effective mechanisms for interaction between the private and public sectors.

It is also noteworthy that the Resolution of the President of the Republic of Uzbekistan No. PQ-308 dated 30 August 2024 "On measures to develop public-private partnership in the Republic of Uzbekistan in 2024-2030" established the project office "Center for Public-Private

Partnership Projects" as a state institution within the framework of general staff units within the structure of the Ministry of Economy and Finance of the Republic of Uzbekistan. This organization is tasked with effectively managing the funds received by the Public-Private Partnership Fund.

The fact that the Resolution of the President of the Republic of Uzbekistan No. PQ-329 dated 10.10.2023 "On measures to radically reform the railway transport sector of the Republic of Uzbekistan" is also mentioned in paragraph 12, part b, confirms the importance of developing railway stations on the basis of PPP. Consequently, the PPP can provide an opportunity for JSC "Uzbekistan Railways" to attract investments, increase the efficiency of using railways and stations, and introduce modern, innovative and ecological technologies. In order to successfully attract PPP to railway transport, it is advisable to study the concept of PPP in depth, including its various models and mechanisms of operation, and to determine which models should be used.

Drawing upon global best practices, it is recommended that the Concession model of PPP be utilised for the development of railway stations. The rationale behind this recommendation is that the Concession model offers numerous benefits for stakeholders. The concession model is regarded as a sophisticated form of PPP for the following reasons: firstly, concession relations are characterised by a long-term perspective; secondly, concessionaires are granted autonomy in making management decisions; and thirdly, in the event of a violation of the terms of the contract by the concessionaire, the state is able to exercise a certain degree of influence over the private sector.

To date, a universal model of state management of the PPP sector has yet to be established. Each country is developing in accordance with its own unique path, selected in consideration of the level of development of its economic institutions, the priority tasks for the development of its economy, and current programs. Consequently, each nation has developed its own distinct national model of PPP management.

The utilisation of PPP projects has been extensively adopted in the United Kingdom, the United States of America (henceforth referred to as the USA), Australia, Canada, Germany, France, Hungary, China, Spain and Ireland, where public-private partnerships serve as the foundation for the effective and sustainable development of the economic system. To this end, a legislative framework has been established, state participation is ensured through the formulation of a national policy on public-private partnerships, organisational infrastructure has been developed, and political and financial well-being is maintained at both the macro and micro levels.

The analysis of the experience of foreign countries allows us to identify the criteria for the success of PPP project management systems and their characteristics. This analysis is of paramount importance. The subsequent review will examine the effectiveness of the PPP system in various countries where PPP is well developed.



Table 1

Efficiency of the PPP system

State	The result of the PPP system
Great Britain	The UK's private equity model, adopted in the 1980s, attracted more than 700 PPP projects during its existence, involving about £56 billion in private investment, until it was abolished in 2018. The Treasury has approved an infrastructure plan until 2028, which envisages investments of £600 billion, of which 50% should be attracted through PPPs. According to the World Bank, for the period from 2017 to 2021, the UK is one of the leaders in the European market in terms of the number of projects and the volume of funds attracted in infrastructure, with a total of more than 2,000 projects. During this period, more than 30 projects were implemented with a total value of about €7.5 billion
France	In France alone, the amount of investment in projects under the "Marché de partenariat" (partnership contracts) scheme exceeds 40 billion euros, and the number of various forms of concessions and similar structures ("Délégations de service public") exceeds 15,000. According to estimates by the European PPP Development Center, the share of PPP projects in the total volume of infrastructure investments in France reaches 12%. According to the World Bank, between 2017 and 2021, about 80 PPP projects with a total value of more than 13 billion euros were implemented in France. Thus, France is the undisputed leader in this indicator.
Germany	Germany will be the 3rd largest PPP market in Europe between 2017 and 2021, behind France and the UK. During this period, 25 projects were implemented, attracting nearly €6 billion in investment.
USA	According to the National Council for the Effective Development of PPPs at All Levels, infrastructure projects implemented through the US PPP mechanism date back more than 200 years. Currently, about 1,000 projects are in operation.
Russian Federation	By 2021, the PPP projects market in Russia will amount to 3,648 completed projects. Since 2006, about 200 projects with a total value of more than 1 billion rubles have been successfully signed and launched. (About 13 million dollars at the exchange rate of March 2022). In terms of investment volume, they occupy about 95% of the PPP projects market
Canada	In Canada, PPP is represented by various schemes, according to which to date, more than 250 large infrastructure projects worth a total of about \$ 110 billion have been launched, and budget revenues from these projects to the state treasury for each dollar invested are estimated at \$ 3.6. The project, worth \$ 3.6, is currently being implemented in the "Major Infrastructure Plan in Canada", according to which investments in social infrastructure over the next 12 years will amount to about \$ 187 billion.

Despite the existing differences in legislation, existing PPP models are considered independent of the financial instruments enshrined in the legislation. World practice shows that in order to ensure effective management of PPPs, it is necessary to create a single management body consisting of highly qualified personnel with experience in management and skills in promoting projects of varying complexity. The creation of these bodies is usually carried out under the full management control of the state executive authorities or they are created with

the support of business entities, but with the state having a dominant share in the charter of these joint ventures. This allows these bodies to perform the following functions:

- state support for PPPs at all levels of the organization;
- implementation of a strategy for the development of the PPP institution at all levels of public administration;
- prepare and equip all participants in PPP projects in various sectors with project documentation and methodological recommendations;
- Choosing a method of support for PPPs through the distribution of state funding;

In foreign practice, there is no single organizational and legal mechanism for PPPs. In some countries (Canada, Hungary, Australia, USA), a PPP project can be financed from several sources.

In other countries (France, Ireland, the Netherlands, Greece), it is financed by the PPP Center, which is a structural unit of state authorities and directly subordinate to the Ministry of Economy and Finance. All this serves to coordinate and manage PPP projects and promote this mechanism as the basis of state investment policy. Management of the main financial operations is usually retained and controlled by the Ministry of Economy and Finance, which coordinates all organizational processes, regardless of whether the PPP is established as a single management body under the coordinating ministry or as an independent organization.

The third type of countries (Great Britain, the Czech Republic and Germany) create a separate legal agent or legal entity, which can be a commercial or non-commercial structure, in which both companies have a dominant share in the state participation. This ensures the decentralization of PPPs by transferring state functions in the field of promotion of specialists, selection of feasibility and methods of project implementation, analysis and evaluation of project proposals, and control to third-party structures. For example, the project operator in the UK, Partnership UK, not only has a 49% share of state property, but also participates in the development and approval of the regulatory and legal framework for PPPs.

For a visual representation, let us present various PPP project management systems in several countries (Figures 1-3). There are close links in the countries with the presence of a special competent center, which is based on the institutional, legal and methodological framework for the promotion and dissemination of PPPs, with a high level of development of the entire PPP institution.

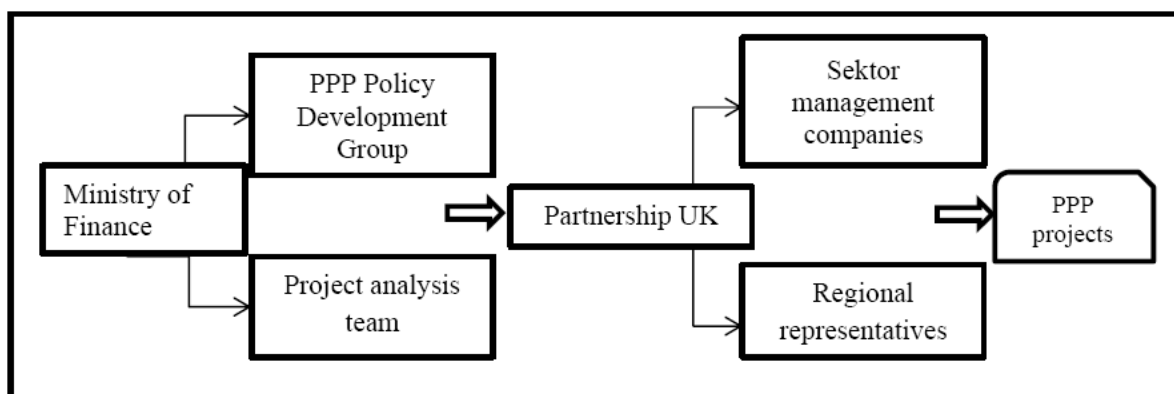


Figure 1. The PPP project management system in the UK

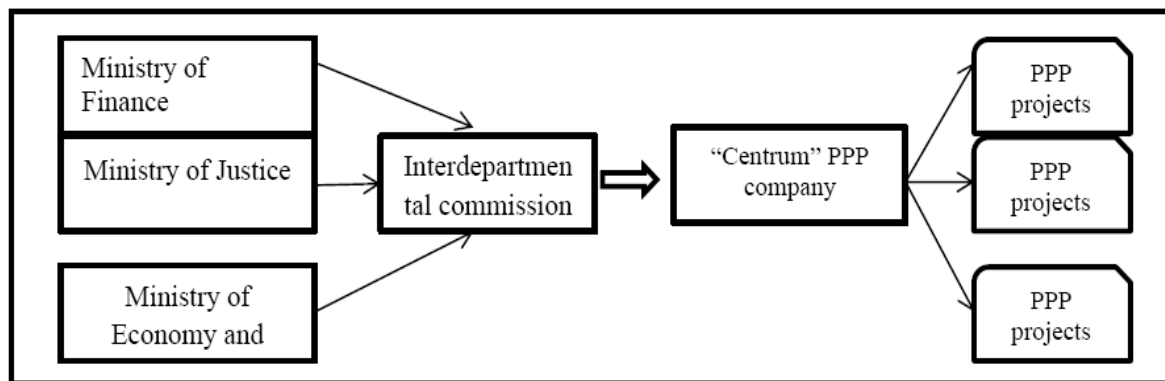


Figure 2. PPP project management system in Hungary

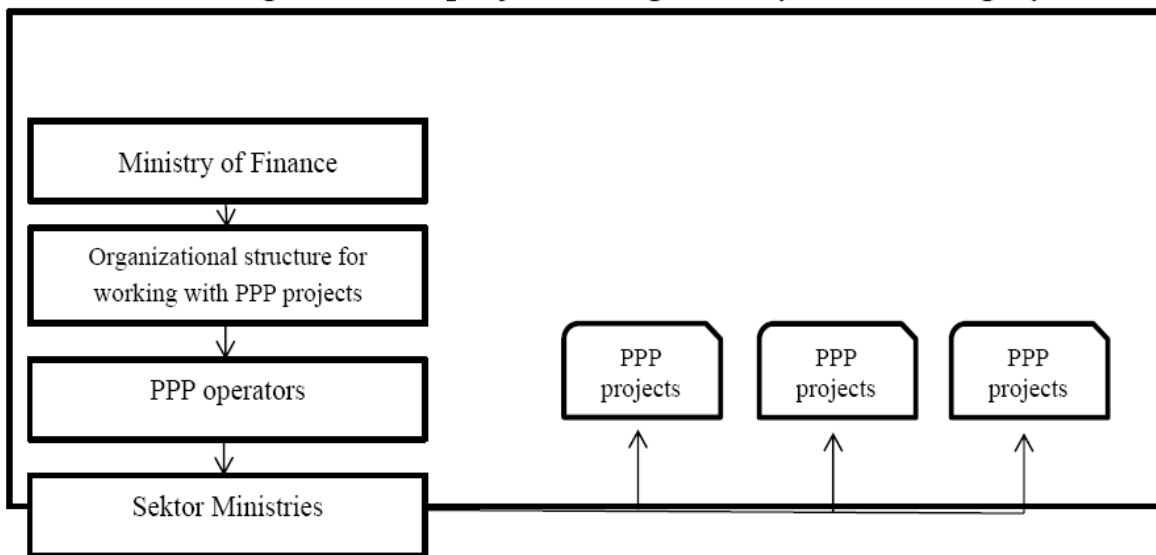


Figure 3. PPP project management system in Australia

By creating Partnerschaften, Germany is deciding to establish a PPP center, as in the UK and France. Given the specific features of the state structure and its initial federal form of government, Germany has a rich history of the development of public-private partnerships, and its peculiarity is that a significant part of the activities within the framework of relations between the state and the private sector are concentrated at the regional level, and the national PPP centers are supplemented by territorial structures. Competent units for PPPs are established and operate under the federal ministries of economy and finance, science and sports, labor and social development, transport, construction, housing and communal services, etc.

Public-private partnerships in Canada are an alternative form of service delivery that involves a formal agreement between the public and private sectors to collaborate on multiple initiatives, usually over a long term period. The original rationale for PPPs in Canada was to provide cities with high-quality infrastructure without increasing public sector debt directly.

In Canada, the government created PPP Canada, a public corporation whose responsibilities include providing a number of services to the private sector, as well as financing at the federal and provincial levels. To date, PPP Canada has been dissolved, as the experience of

implementing PPP has become widespread throughout Canada. Thus, the Canadian experience is of particular interest to countries that are also moving towards the formation and development of a PPP management system.

of the PPP system, it is necessary to combine the efforts of various executive authorities to implement plans to achieve tangible results in the application of PPP mechanisms.

The concentration of all powers in the field of PPP in such organized structures will help create the necessary conditions for the most effective promotion of PPP, the search for successful forms and models of PPP system management. Within this system, the main centralization of functions will be focused on monitoring the launched projects and selecting the most promising ones for improving the regulatory and legal framework, as well as choosing the most optimal mechanisms of cooperation in the field of infrastructure development.

Based on the analysis and the criteria established for the successful operation of PPPs in advanced foreign countries, it seems possible to improve the PPP system of the Republic of Uzbekistan in the following areas:

1. Formation of a specialized state body or organization of management work in the PPP project management system as an independent structure based on the relevant ministries.
2. To train specialists who are competent in the implementation and management of PPP projects, possessing the necessary qualifications and specialized competencies in management and economic specialties.
3. Creating a system for monitoring the implementation results of PPP projects based on the best and most acceptable solutions available for the projects.
4. Creating access to unified information on key indicators of ongoing and planned PPP projects. This is necessary to address the problem of corruption and hidden risks, and to create transparency in the PPP project management system.
5. Creating an effective mechanism for qualitative selection of PPP projects and their clear differentiation. This will allow choosing the optimal solution for implementing the project through PPP through public procurement or by forming a budget investment project. It is recommended to compare the effectiveness of different methods of its implementation to determine the most optimal one.

In the Republic of Uzbekistan, there is a project office "Center for Public-Private Partnership Projects" in the form of a state institution within the framework of general staff units within the structure of the Ministry of Economy and Finance. The system of criteria we propose will increase the efficiency of management in the field of PPP at all stages of projects. Balanced use of foreign experience in the development of PPP in the Republic of Uzbekistan will help increase the efficiency of this model of interaction between the state and the private sector. This form of cooperation also allows the state to reach a new level of national competitiveness by effectively attracting private capital to the existing infrastructure complex and significantly increases the level of its development.

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