Forms, Models and Mechanisms of Public-Private Partnerships in the Service Sector

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ABSTRACT

In this article, the forms of public-private partnership, the main directions of economic activity between state and private business entities, the economic content, goals and objectives, structure and models of the "public-private partnership" category, implementation of public-private partnership projects, its advantages, service provision the main forms of public-private partnership, the main features of this system, the role of public-private partnership in the system of interaction between the public and private sectors and its differences from outsourcing of public services and state franchising have been researched.

Current, in many countries of the world with a market economy, significant changes are taking place in the system of economic relations between the state and the private sector, and these changes are forming a new institutional structure of the economy.

The essence of the ongoing processes is expressed in two directions: the change in the ratio of its distribution as a result of the increase in the share of profits from entrepreneurship in the national income; successful implementation of economic reforms and reduction of existing barriers to economic growth.

Such changes cover almost all spheres of activity, in particular, state administration, business entities, and affect various aspects of relations between them. This process is manifested not only at the national level, but also at the international level.
It should be noted that these changes are taking place in the process of formation of new economic relations of modern society as a result of globalization of production, internationalization of capital, strengthening of competition between regions and countries and improvement of cooperative relations. Therefore, in the conditions of the innovative development of the economy, the governments of many countries of the world, in particular, in our republic, the public-private partnership (PPP) is expanding.

World experience shows that a specific form of relations between the private sector and the state has emerged in the economy of a number of developed countries. The rapid development of various forms of PPP, their widespread use in economic sectors and sectors allows recognizing this form of mutual cooperation as an important feature of the market economy.

**Literature review**

Conceptual foundations of public-private partnership, monetary policy, directions for achieving the fastest growth of household incomes by encouraging private investments, problems related to the conditions of using the economic functions of the state for the formation of a competitive environment J.M. Keynes [7], Y. A. Schumpeter [17], K. R. McConnell, St. L. Brew [9], Dj. K. Galbraith [4], S. P. Kukura [8], J. Pierre, J. G. Peters [18] was illuminated in the centuries.

The formation of the system of economic relations between the state and the private sector, the economic nature and content of the "public-private partnership" category, goals and objectives, structure and models, the main directions of economic activity between state and private business entities, forms of cooperation between the state and business sources of attracting financial funds, state and public property objects, as well as ways to implement socially significant projects in a wide range of economic activities, its advantages, the main forms of public-private partnership in the service sector, research on the role, principles and factors of public-private partnership in the system of interaction between the public and private sectors O.A. Romanova [11], E.D. Frolova [14], V.A Kabashkin [6], V.G. Varnavsky, A.V. Klimenko, V.A. Korolev [1], V.V. Ivanova, S. Klesovoy, P. Lindholm, O.P. Lukshi [10], studied in the works of P.D. Khodzhaev [15], U.I. Djumaniyazov [5], L. Sharinger [16] and E.M. Styrin [12].

**Research Methodology**

In the process of research, the system of economic relations between the state and the private sector, the economic essence and meaning of the category "public-private partnership", the implementation of public-private partnership projects, the main forms of public-private partnership in the service sector, economic systems according to the main characteristics of this system and dialectical, systematic and scientific approach, comparative and comparative analysis and grouping methods were used to study ratios.

**Analysis and results**

In developed countries, PPPs are manifested in transport, communal and social infrastructure, reconstruction, repair and maintenance of construction projects, housing and communal economy,
education, health care sectors and industries. The state cannot refuse to participate in the above-mentioned sectors and branches of the economy, and it is necessary to exercise control over a certain type of activity. This requires attracting financial resources to implement forms of cooperation between the state and business.

With the development of the market economy in our republic, the role of the state has significantly decreased, and the functions of managing the main facilities have gradually been transferred to the private sector. Also, at present, it is necessary to implement promising cooperation with private entrepreneurship and to ensure optimal harmony with the means and measures of state regulation of competition.

The adoption of the Law of the Republic of Uzbekistan No. URL-537 dated May 10, 2019 "On Public-Private Partnership" envisages the development and regulation of relations between state and private business entities in different areas of economic activity in our country. The main purpose of this law is to regulate relations in the field of public-private partnership, including concessions [13].

In the process of research, it is necessary to determine the economic content of this concept by organizing mutual cooperation relations between the state and private entrepreneurship based on the research of the "public-private partnership" category.

It is known that the concept of public-private partnership corresponds to the word "Public Private Partnership" (PPP) in English. It should be recognized that, despite the fact that the cooperative relations of the two parties should be equal and mutually beneficial, it is the participation of the state that distinguishes it from all other forms of relations. Private enterprises actively cooperate with each other in various forms and mechanisms, which is considered a normal business practice. States also interact with each other and form international organizations, alliances and associations of political, military and economic nature. Such connections are widely popular in world practice. And public-private partnerships always define a new quality of relationship that creates a certain synergistic effect that cannot be achieved in any other way.

Therefore, the role of initiative, organization and guarantor of the leadership of the PPP is aimed at ensuring a new quality of relations with the state. The role of an entrepreneur in providing PPP is financing, effective management, carrying out professional activities suitable for specialization (construction, development of underground resources, development of territories, lending, insurance, etc.). In addition, the new quality of PPP relations determines their goals, which are the solution of social tasks at the national level. The main goal of the PPP is to support the implementation of public tasks of high social importance. Such tasks include the creation of infrastructure of housing and communal economy, transport networks, housing construction, development of the industry, research of large-scale innovative projects, organization of insurance to protect the population from catastrophic risks.

The conceptual foundations of PPP are presented in the works of J.M. Keynes [7], where it is justified that the fastest growth of household income can be achieved through the promotion of monetary policy and private investments. Then the theory of "welfare state" appeared, one of its founders is Dj. K. Galbraith [4].

The further development of these studies is presented in the works of K. R. McConnell and St. L. Brewer. According to them, five economic functions of the state can be used for the formation of a
competitive environment: 1) support of the social environment and legal framework; 2) ensuring fierce competition; 3) distribution of profits and material benefits; 4) controlling the allocation of resources; 5) ensuring sustainable growth of the economy [9]. Taking into account these conceptual bases, the priority directions of the formation of cooperative relations of state and private entrepreneurship are based. In this case, the state appears as a guarantee of ensuring the competitiveness of the economy and the freedom of entrepreneurial activity [8].

Also, entrepreneurs prioritize their economic interests in order to maximize profits, while the state needs additional financial resources to implement projects of social importance, and is forced to attract financial resources from private entrepreneurship. To a significant extent, the effectiveness of the state’s activities in the implementation of these problems is based on the need to involve private entrepreneurship in the implementation of joint projects.

The interest of entrepreneurship in such cooperation creates the possibility of obtaining stable income and mutually beneficial cooperation in socially important sectors of the economy.

It should be noted that the structure and models of PPP implementation are diverse, but they are united by a number of features based on specific agreements of the parties. It should be noted that the complexity of the formation of the PPP system in our republic and in developed countries is that the conceptual foundations of the researched problem are not sufficiently studied. To date, even in effectively developing countries, there is no definition that represents the overall essence and content of PPP. There is no unified approach among economists on forms of interaction between the state and business.

It should be noted that the definition of the category "public-private partnership" is based on the mutual cooperation of the public and private sectors. In this case, public-private partnership should be interpreted as an independent economic category [19].

According to O.A. Romanova, "PPP is a mutually beneficial alliance between the state and business for the purpose of implementing important projects. In this case, the state forms an alliance with private business and not only reduces the budget, but also adopts an effective project management system, and the business gets a set of certain guarantees and privileges" [11].

In some literature: "PPP is any long-term formal relationship between the state and private individuals, in which both parties jointly invest resources to achieve specific goals in the field of science, technology and innovation" [20].

According to the methodological approach, taking into account the redistribution of property rights, the following definitions of PPP can be given [11]:

- "PPP is seen as indirect privatization, which helps transfer projects from the state";
- "PPP is interpreted as a "third way" through which the government demonstrates ways to improve the provision of social benefits to the population."
- "PPP is a substitute for privatization programs and allows maintaining the control functions of the state in socially important sectors of the economy. In this case, in contrast to privatization, the right of ownership in a partnership remains with the state."

According to E.D. Frolova’s approach, cooperation and its role in the economy are as follows [14]:

- favorable environment for free movement of capital;
- Institute of city and regional socio-economic development;
- an important component of the mixed economy;
- a new level of economic regulation.

In economic literature, in addition to "public-private partnership", the category "private-public partnership" is also used.

According to V.A. Kabashkin, it is necessary to use the term "public-private partnership" in order to follow terms close to the original [6].

The Organization for Economic Cooperation and Development (OECD) defines a PPP as: "any formal relationship or agreement between a state and participants for a stated/indefinite period, in which both parties cooperate in decision-making and share a specific area of science, technology and innovation. is the creation and co-investment of limited resources such as money, personnel, equipment and information to achieve specific goals in the field of ".

According to the definition proposed by V. Varnavskyi: "public-private partnership is a partnership between the state and business for the purpose of implementing socially significant projects in a wide range of activities (from the main industries and scientific research and experimental construction works (NIOKR) to the provision of social services) is a strategic, institutional, organizational alliance" [2].

It is known that there are various special features that distinguish public-private partnership projects from other forms of interaction between the public and private sectors, which were developed by scientists of the Institute of World Economy and International Relations of the Russian Federation Academy of Sciences [3]:
- long-term contracts (from 10 to 20 years, in concession - up to 50 years);
- specific forms of project financing through joint financing;
- to continue cooperation in the face of intense competition;
- specific forms of distribution of responsibility between partners: the state controls the implementation of projects, and the private partner undertakes project financing;
- distribution of risks between the parties under the contract.

OECD also identifies six characteristics that characterize a PPP [10]:
1. Participants of the partnership should be representatives of both the public and private sectors.
2. Mutual cooperation of PPP participants must have a legal basis.
3. Mutual cooperation of PPP participants should be organized on the basis of equal relations.
4. PPP participants must have a common goal and state interests.
5. PPP participants should direct their actions to achieve the set goals.
6. PPP participants must redistribute risks and costs.

It should be said that one of the main tasks of the state in the formation of the PPP mechanism is to establish effective relations with the private sector, based on the specific features of the use of PPP, which does not allow the private sector to get maximum benefits.
PPP is the most successful alternative to privatization of state-owned objects. Almost 15-20% of the investment projects implemented in Canada and Great Britain are implemented based on the principles of PPP [15].

The transition to a new concept of public administration was formed by J. Pierre and J. G. Peters, who classified underlying factors that represent the main reasons for the transformation of management [18]:

- priorities change: there is a transition from political activities to the market;
- economic crises encourage the state to engage in strategic planning;
- political and economic globalization leads to serious changes in the system of public administration and social institutions at the macro level;
- involvement of the private sector in solving society's problems is growing. The state alone will not be able to fully satisfy the needs of society;
- the idea of new public management (new public management), in contrast to traditional management, a result-oriented management style is developing;
- priority is given to citizens' participation in management and increasing interest in environmental problems;
- the role of national institutions grows and interest in multilevel governance increases;
- the influence of new participants in political processes will increase.

Also, V.G. Varnavskyi, A.V. Klimenko, V.A. Korolev "Public-private partnership. In the study guide "Theory and practice" "PPP - state and public property objects, as well as between the state and private sector in relation to the services performed and provided by state and public agencies, institutions and enterprises for the purpose of implementing socially significant projects in a wide range of economic activities" shows a legally strengthened form of interaction" [1].

According to the researcher U.I. Djumaniyazov, "PPP is a private sector based on the distribution of various economic, political, social, cultural and other risks, risks, and risks that may arise based on the long-term strategic tasks and goals of the state within the framework of current laws. are literally mutually beneficial relations with the private sector in order to build objects of great socio-economic and, if necessary, political importance for the population, or to provide social services in this regard. [5].

In accordance with the Law of the Republic of Uzbekistan "On Public-Private Partnership", public-private partnership is defined as follows: "Public-private partnership is a partnership between a public partner and a private partner for a certain period of time, based on combining their resources for the implementation of a legally formalized public-private partnership project. [13].

Therefore, the idea of transforming the role of the state is based on the modern concepts of managing the implementation of socio-economic functions of the state: coordination and integration of the interests and resources of the state and private sectors; the growth of the participation of various entities with a certain degree of influence in the management process. It covers all aspects of community-wide activities, including construction projects and regional planning.

Taking into account the above definitions, in our opinion, we interpret the category of "public-private partnership" as follows: public-private partnership is a legal partnership between a public partner and a private partner for a certain period of time in order to implement state and social property objects...
and various socially significant projects. is a mutually beneficial cooperation between the state and business, formalized in terms of risk sharing between them.

The main advantages of PPP for the economy of our republic are shown in the following: the possibility of implementing socially significant projects in a short period of time; availability of access in all sectors and sectors of the economy; opportunities to attract more funds for private financing of public facilities; reduction of state expenses for maintenance, repair and operation of highways; financing for the construction of state social objects at the expense of private funds; risk sharing between public and private entities; opportunities to introduce modern techniques and technologies in the development of production infrastructure.

For business circles, PPP has the following advantages: support for entry into the public sector of the economy; opportunities to receive state support; to have opportunities to use the experience of foreign countries.

The attractiveness of public-private partnership for the state is determined on the basis of the following factors: increased efficiency of projects due to the participation of the private sector; opportunities to solve important issues capable of developing the state economy; reduction of budget expenses at the expense of private financial resources; strengthening the socio-economic stability of regions and increasing the level of competition.

In our opinion, the main manifestations of PPP in the service sector are classified as follows (Figure 1):

The main forms of public-private partnership in the service sector

- Mutual cooperation based on state contracts
- In the service sector rental agreements
- In the service sector lease agreements
- Agreements on the distribution of services (products) in the service sector
- Investment agreements in the service sector
- Concessional relations in the service sector
- Formation of joint stock companies in the service sector
- Participation of private capital and innovative activity in state enterprises
The choice of a specific model depends on the implementation of projects of socio-economic importance.

It should be said here that the operator model is based on the division of responsibilities between public and private partners. This model is used in waste processing.

The cooperative model is used when it is difficult to provide services to independent objects of taxation. This mechanism is implemented through a joint venture of the state and a private entrepreneur.

The contract model is often used in the energy industry for investments aimed at reducing current costs.

The financial leasing model provides for the leasing of buildings, structures, production facilities, vehicles, engineering complexes by the state to the private sector[16].

The concession model is of particular interest in the implementation of large socio-economic projects. Based on different approaches, the concession model is considered an advanced form of PPP for the following reasons: concession relationships have a long-term nature; in business structures, concessions have freedom in making management decisions; When the concessionaire violates the terms of the contract, the state has the ability to influence the private sector to a certain extent.

In addition to the concession, other forms of PPP can be used, for example, lease relationships are formed by transferring public buildings, facilities, production facilities, etc. to the private sector.

In addition, before the implementation of investment projects in developed countries, a preliminary comparative analysis of project feasibility (VFM) is conducted. The foreign experience of conducting contests for the right to implement PPP projects includes several stages.

At the first stage, a preliminary selection of participants will be held. In the second stage, the competition organizer determines the technical parameters of the project specified in the tender proposals. In the third stage, the competition organizer determines the financial parameters of the project specified in the tender proposals.

It should be noted that when using the PPP mechanism, investment costs for construction facilities will be higher compared to financing from the state budget.

In addition, the state has the right to pay the investment costs in installments while providing opportunities for the private sector to the construction facility and reduces the maintenance costs of the constructed facility.

The main characteristics of the PPP system around the world are as follows:

1. Cooperation. The goals, tasks, programs and mechanism of their management are jointly developed within the framework of PPP.

2. Joint implementation of assigned tasks. By participating in cooperative relations, the parties strive to find the optimal way to solve problems, to develop a common action policy in one or another case.
3. Duration of cooperation. PPP contracts are usually calculated to be implemented over a certain period of time, and cooperation implies the permanent institutionalization of mutual relations between the parties [12].

4. Sharing resources. The parties combine not only financial resources, but also intellectual, labor and informational resources. In order to achieve the goals set in the project, relationships are implemented for the search, exchange and management of resources.

5. Risk management. Risk management is one of the important objectives of PPP implementation. By joining forces, the parties will try to provide protection against many risks, identify hidden risks, and choose the appropriate method of their insurance.

It should be noted that the management mechanism of such forms of PPP projects as a concession in the service sector is analyzed in our research work. This is due to the fact that the concession drawing of the PPP project is the most widely used in the world and is practically used in all spheres of public services, and the concession remains of great interest in the conditions of financial and economic instability. Concessions are superior to other forms in terms of the number of transactions, the volume of involved investments and various economic indicators.

Concession is a system of relations resulting from the provision of the right to use state property from the state (concessionaire) to a legal or individual person (concessionaire) on the basis of payment and reimbursement under the contract, and the right to perform activities that are the absolute monopoly of the state.

Currently, the most widespread concessions in the world are realized in the following areas: construction of roads, bridges, tunnels; construction and renovation of airports, railway stations; construction of railways communication systems, metro, schools and other public buildings, renovation of water supply systems and their use; drainage, cleaning and waste treatment; construction, renovation and operation of various medical facilities.

In international practice, there are the following types of concession agreements:

Build-Operate-Transfer (BOT) - private sector tasks include design, financing, construction of facilities based on a long-term concession agreement and management during the contract period. After the expiration of the contract, the property will be returned to the state. A similar form applies to BOOT contracts, the only difference being that the contract is valid only during its (ownership) phase.

Build-Transfer-Operate (BTO) – after the construction of the object is completed, the private enterprise transfers the property rights to the state, retaining the right of operational management.

Build-Own-Operate (BOO). Private enterprises finance, build, own and operate facilities on an ongoing basis. State restrictions are set out in the contract, and it continuously implements regulation and management.
### Table 1

The role of PPP in the relationship between the state and the private sector

<table>
<thead>
<tr>
<th>Contract type</th>
<th>Concession model or private financial initiative (PFI) model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contract form</strong></td>
<td><strong>State procurement</strong></td>
</tr>
<tr>
<td><strong>Construction</strong></td>
<td>Government</td>
</tr>
<tr>
<td><strong>Management</strong></td>
<td>Government</td>
</tr>
<tr>
<td><strong>Property rights</strong></td>
<td>Government</td>
</tr>
<tr>
<td><strong>Who bears the risk?</strong></td>
<td>State and private enterprises</td>
</tr>
<tr>
<td><strong>Who pays?</strong></td>
<td>Government</td>
</tr>
<tr>
<td><strong>Contract period</strong></td>
<td>1-5</td>
</tr>
</tbody>
</table>

2 Developed by the author.
Buy-Build-Operate - BBO (Buy-Build-Operate) - a form of sale that includes reconstruction and expansion of an existing facility. The state sells the facility to the private sector to establish effective management.

Design-Build-Finance-Operate (DBFO) – the private sector designs, finances and builds the facility on the basis of a long-term lease, and manages it during the term of the contract. The transfer of property to the state will be carried out at the end of the project.

Concession or Private Financial Initiative (PFI) model can use any form of contract under DBFO, WTO, BOT and their derivatives. Therefore, property rights to objects do not depend on which PPP model is used.

Table 1 shows the role of PPP in the relationship between the public and private sectors. In this table, unlike outsourcing (for example, hiring employees to provide security to the enterprise or cleaning the enterprise), PPP takes a huge risk, covering long-term financing and management, design and construction, and project management based on certain standards. In a PPP, land and infrastructure facilities either belong to the state or are returned to state ownership at the end of the project. Privatization involves the sale or transfer of state property, and management functions remain with a private enterprise.

In turn, the franchise gives the right to operate the constructed object. In franchising, the private sector takes commercial and less investment risks. Most economists consider franchising to be a form of PPP, while others do not consider it a fair method.

It should be noted that the table above shows the most common forms of PPP, and their place is given in the range from public projects to private projects. Large-scale scientific studies on the structural forms of PPP have been conducted by experts of the World Bank [21], and we have highlighted a number of different aspects of the PPP contract from outsourcing of public services and state franchising in Table 2 below.

Table 2

<table>
<thead>
<tr>
<th>Directions for cooperation</th>
<th>PPP</th>
<th>Outsourcing of public services</th>
<th>State franchise</th>
</tr>
</thead>
<tbody>
<tr>
<td>State partners</td>
<td>Big business</td>
<td>Small and private</td>
<td>Small and private</td>
</tr>
</tbody>
</table>

3 Developed by the author.
Let's look at the different aspects of the PPP contract from the outsourcing of public services and state franchising:

1. In the framework of PPP, the state often involves large business, and in turn, small and private enterprises interact with the state through outsourcing and franchising mechanisms.

2. The contract for the outsourcing of public services is usually concluded for 1-3 years (although it provides for further expansion), and for franchising, it is concluded for 3-10 years. The PPP contract is concluded for a much longer period, i.e. from 15 to 40-50 years.

3. A PPP contract usually provides for the transfer of property to a private enterprise during its term, which is not observed in outsourcing or franchising. In PPPs, land and infrastructure facilities are returned either to the state or to state ownership at the end of the project.

4. Franchising should not be classified as a form of PPP. Because the franchise agreement provides for the management of ready-made infrastructure projects. In the case of PPP contracts, construction or capital repair works are carried out. However, it should be noted that PPPs and franchising have most of the financial and contractual aspects in common.

5. If public services are outsourced to private enterprises, then in case of failure, these private enterprises lose their profits and do not suffer other negative consequences. In PPP projects, investors and lenders risk existing capital funds and are more interested in the quality and efficiency of project services.

A certain level of research is being conducted in our country on the introduction of effective forms of implementation of PPP projects. Also, the state is not only the entity that regulates this form of relations, but also plays the role of an active defender of the interests and needs of society.

**Conclusion/Recommendations**

1. Public-private partnership initiative, organization, and the role of leadership considered to be a guarantee are aimed at ensuring a new quality of relations with the state. The role of an entrepreneur in...
providing PPP is financing, effective management, professional activities suitable for specialization. The main goal of the PPP is to support the implementation of public tasks of high social importance. Such tasks include the creation of infrastructure of housing and communal economy, transport networks, housing construction, development of the industry, research of large-scale innovative projects, organization of insurance to protect the population from catastrophic risks.

2. Public-private partnership is a mutually beneficial cooperation between the state and business based on the sharing of risks between the state partner and the private partner for a certain period of time, for the purpose of implementing state and social property objects and various socially significant projects.

3. The attractiveness of public-private partnership for the state is determined on the basis of factors such as the increase in the efficiency of projects due to the participation of the private sector, the ability to solve important issues capable of developing the state economy, the reduction of budget costs at the expense of private financial resources, and the strengthening of the socio-economic stability of the regions and the increase in the level of competition.

4. Extensive scientific research on the structural forms of PPPs has been conducted by World Bank experts and distinguishes the PPP contract from outsourcing of public services and public franchising.

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