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WAYS TO FURTHER IMPROVE THE FINANCING OF INFRASTRUCTURE PROJECTS ON THE BASIS OF PUBLIC-PRIVATE PARTNERSHIP

Shodiyev Akmal O‘ktamjon o‘g‘li
Independent Researcher, TSUE

Abstract

In accordance with Item 105 of the State Programme approved by Annex 2 to Decree of the President of the Republic of Uzbekistan No. PF-60 of 28 January 2022 “On the Development Strategy of New Uzbekistan for 2022–2026”, it is planned to implement 154 public-private partnership (PPP) projects worth approximately USD 14 billion in energy, transport, healthcare, education, ecology, public utilities, water management and other sectors.[1]

An analysis of these PPP projects by sector revealed the following:

Energy sector:

Documentation and feasibility studies are under way for 9 projects planned for implementation in the energy sector during 2022–2026. These are:

construction of a 200 MW wind power plant in the Republic of Karakalpakstan in cooperation with the European Bank for Reconstruction and Development (EBRD Wind II);

construction of a 700 MW wind power plant in the Republic of Karakalpakstan and the regions in cooperation with the European Bank for Reconstruction and Development (EBRD Wind III);

construction of a 100 MW solar photovoltaic power plant in Fergana region in cooperation with the Asian Development Bank (ADB Solar 3);

[1] https://www.pppda.uz/5201

modernisation of 4 thermal power plants in Tashkent city and introduction of cogeneration technologies (Phase 1, initiated by Stone City);
construction of 150 MW solar photovoltaic power plants in Jizzakh region in cooperation with the Asian Development Bank (ADB Solar 4);
construction of a 500 MW wind power plant in the regions in cooperation with Toyota Tsusho Corp. (with 240–720 storage batteries);
modernisation and management of the gas supply system of Jizzakh region (the Turkish company AKSA Doğal Gaz has expressed interest);
modernisation of the Tashkent city gas supply system and its transfer to private management;
transfer of the Tashkent city electricity distribution network to private management.
Education sector:
Documentation and feasibility studies are being carried out for 6 major projects planned for implementation in the education sector during 2022–2026. During the Uzbekistan Economic Forum on "Economic Reforms: Results and Prospects", held on 29–30 September 2021, Memoranda were signed with international partners on the construction of schools and preschool educational institutions on a PPP basis. In particular:
with the advisory support of the Asian Development Bank, the concept and feasibility study are being developed for a PPP project to build 16 general education schools with a total capacity of 28,512 places in Tashkent city and Tashkent region, worth approximately USD 80 million;
with the advisory support of the International Finance Corporation, regions are being assessed in order to select sites for a PPP project to build 15 general education schools across the country, worth approximately USD 50 million;

with the advisory support of the European Bank for Reconstruction and Development, an advisory services agreement is being prepared for a PPP project to build up to 15 general education schools across the country, worth approximately USD 50 million;

negotiations are under way with the support of Delphos International on a project to establish 50 general education schools in the regions on a PPP basis;

with the advisory support of the Asian Development Bank, preliminary data are being collected for a PPP project to build and reconstruct preschool educational institutions (kindergartens) across the country, worth approximately USD 50 million;

the European Bank for Reconstruction and Development has expressed interest in providing advisory services for a PPP project to build student dormitories for 100 higher education institutions, and negotiations are currently under way.

Threats such as the lack of knowledge in the field of PPP require particular attention, and appropriate strategic actions must be taken to mitigate them. In order to encourage the use of the PPP mechanism in the near future, the following steps are recommended and considered necessary to be implemented consistently:

1. Develop a state programme for the development of PPP that provides for a comprehensive set of measures to further expand the areas in which PPP mechanisms are applied, improve the legislative framework for PPP, grant benefits and preferences, and implement individual projects.

2. Introduce the life-cycle contract. Under budget deficit conditions, when the government cannot participate in projects requiring budget investment, the life-cycle contract is the ideal form of PPP. A life-cycle contract is a mixed-type contract based on a service contract. It may contain elements of other types of contracts, for example, a trust agreement. Under such a contract, the contractor receives payment only from the moment the facility is made available for public

use.

In this regard, the possibility of introducing this type of contract into the current legislation on concessions should be considered.

3. Encourage the practice of establishing special project companies (SPV – Special Purpose Vehicle).

Implementing large-scale investment projects through the concession mechanism may require financial support to attract additional investment.

A possible solution to this problem may be the positive international practice of using project finance, in which the concessionaire may be a special project company established by the project sponsor to implement a specific project using the PPP mechanism.

Owing to its flexibility, this form is an effective means of raising funds in an unstable economy.

4. To further develop the implementation and financing of PPP in Uzbekistan, a regulatory legal act or methodological guide for assessing the efficiency of PPP projects should be developed. This would make it possible to properly analyse the quality and cost-effectiveness of projects, identify and minimise project risks, and reduce the costs of consulting firms for both the public partner and the private partner in preparing project appraisal documents (pre-feasibility and feasibility studies).

5. Since there are no documents in our country setting out the models and methods of PPP projects, the Public-Private Partnership Development Agency under the Ministry of Finance should develop a “PPP Guide” on applying PPP in various sectors in Uzbekistan. We believe that this guide will help those interested in this activity find answers to their questions and will serve to improve the knowledge and skills of specialists in the field.