

PUBLIC-PRIVATE PARTNERSHIP AND ITS ROLE IN MANAGING THE DEVELOPMENT OF “UZBEKISTAN AIRPORTS” COMPANY

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Abstract: This article discusses public-private partnership and its role in the development of the “Uzbekistan Airports” JSC company in our country and in foreign states.

Key words: “Uzbekistan Airports”, “PPP”, “airport”, “aviation”, “transport”, “foreign”, “investment”, “mechanism”.

INTRODUCTION

In the current context of economic liberalization, intensifying global competition, and rapidly growing population needs, the financial burden on the state is steadily increasing. The expansion of socio-economic sectors—including transport, energy, education, healthcare, and especially airport infrastructure—has made the limitations of state financial resources particularly evident. Typically, the state's existing budget funds are directed toward priority areas such as social protection, healthcare, and education. As a result, the modernization of transport and logistics sectors—particularly the upgrading of airport operations—has become a secondary priority.

This situation has created the groundwork for the emergence of a new, modern form of cooperation between the state and the private sector. This cooperation mechanism is known as **Public-Private Partnership (PPP)**, which in turn serves as an important tool for the effective development of strategically significant sectors.

PPP projects play a crucial role in developing sectoral infrastructure—especially in the airport sector—by ensuring economic and social stability. The primary advantage of PPP projects lies in establishing long-term, strategic partnership relations, which guarantee high-quality and efficient development of airport infrastructure.

Today in our republic, the PPP mechanism is being implemented in 15 main sectors, including the following:

1. Utilities;
2. Education;
3. Heating systems;
4. Ecology;
5. Transport (public transport, rail transport, aviation);
6. Healthcare;
7. Water management;
8. Taxation;
9. Culture;

10. Agro-industry;
11. Law enforcement;
12. Youth policy and sports;
13. Construction;
14. Crafts;
15. Employment.

In 1992, John Major introduced the **Private Finance Initiative (PFI)**. Through this initiative, he aimed to expand private sector participation in the development of state infrastructure. According to Major, partnerships between the state and the private sector increase efficiency in the delivery of public services and reduce the financial burden on the state [1]. Through PFI, he sought to improve public services, accelerate infrastructure project implementation, and control state expenditures.

In our view, since the PPP concept first emerged in foreign countries, it is appropriate to begin by analyzing the definitions and approaches accepted in international practice. PPPs are one of the tools governments can use to deliver infrastructure services. PPP is a method of organizing services on a contractual basis, leveraging private sector innovation and expertise, and often involving private financing. When implemented under appropriate conditions, PPPs can improve service quality and stimulate economic growth [2].

The **World Bank** defines PPP as follows: “A long-term contract between a private party and a government entity, for providing a public asset or service, in which the private party bears significant risk and management responsibility, and remuneration is linked to performance.” From this perspective, PPPs are viewed as targeted projects involving cooperation in financial resources, overall resources, and expertise [3].

Analysis of scientific literature leads to the conclusion that two main approaches to defining the PPP concept have emerged in global practice. On the one hand, PPP is understood as a system of relations between the state and business, widely used as a tool for regulating international, national, regional, and local economic and social development. On the other hand, PPP is considered as specific projects implemented jointly by state bodies and private companies on state and municipal property objects [4].

The **United Nations Economic Commission for Europe (UNECE)** defines PPP as “a form of cooperation between the public and private sectors through which social services and infrastructure projects are implemented more efficiently and innovatively” [5].

The **Organisation for Economic Co-operation and Development (OECD)** views PPP as “a tool for managing fiscal risks associated with state assets with the participation of the private sector,” while the **Asian Development Bank (ADB)** emphasizes that “PPP is a strategic partnership between the state and the private sector through which infrastructure and services are provided while protecting state interests” [6].

In the United Kingdom, PPP is a general term encompassing partnership forms ranging from the management of facilities and service provision on behalf of the public to flexible methods of financing these services [7].

M.B. Gerrard, head of Partnerships UK—a company established by the UK government to support PPPs—writes: “Partnerships are created and operate at the boundary between the public and private economic sectors, but they are neither nationalized nor privatized assets and services. In this way, they represent a politically third way—enabling governments to provide certain social services to the population” [8].

Sydney-based scholar Osei-Kyei, R. interprets: “In developing countries, the most important factors for attracting private sector participation in PPPs are political stability, financial reliability, and legal guarantees” [9].

South Korean scholars Seong Soo Kang, Hoon Han, and Myung Hoon Lee particularly

emphasize that “for PPPs to be successful, political, financial, and managerial factors must be solidly established” [10].

Based on the analysis of the above definitions and approaches, it is appropriate to systematically highlight the key characteristics inherent to PPP-based projects:

- Long-term contract duration, during which the private partner invests, constructs, manages, and provides services;
- Optimal allocation of risks between the public and private sectors;
- Financing of PPP projects primarily carried out by the private sector;
- Reduction of the burden on the state budget and attraction of private investment;
- The private sector typically increases efficiency, reduces costs, and competes on service quality;
- Project outcomes are controlled through monitoring and evaluation systems;
- PPP projects are implemented on a clear and stable legal basis;
- Contracts specify the parties' obligations, results, payments, and dispute resolution procedures;
- Decisions on projects are made through joint management bodies comprising representatives of the public and private partners.

Since this article focuses on airports, it analyzes the importance and development of the PPP mechanism in managing JSC “Uzbekistan Airports.”

Airports provide access to regional, national, and international markets and ensure connectivity between them. This makes investment in existing or new airport infrastructure a key factor for economic development. Traditionally, airports have been owned, managed, and operated by governments, but a global trend toward increasing private sector participation is now observed. Therefore, attracting the PPP mechanism in the development management of JSC “Uzbekistan Airports” is also targeted.

The main tasks of JSC “Uzbekistan Airports” with PPP involvement include the following:

- Developing and implementing a long-term airport development strategy;
- Attracting investments to improve airport infrastructure, including through PPP mechanisms in airport management and cooperation with leading international companies;
- Ensuring high-level service for passengers of air carriers at airports, creating all necessary comfortable conditions for them;
- Ensuring efficient operation of relevant airport services, optimizing processes for serving passengers, cargo, mail, and baggage;
- Implementing measures to prepare aerodromes for flights on time and with quality, ensuring flight regularity and safety, introducing modern methods of aerodrome maintenance and repair;
- Providing uninterrupted supply of fuel and other fuel-lubricating materials for aircraft refueling and servicing, as well as strict quality control;
- Improving infrastructure and creating favorable conditions for quality logistics services;
- Expanding the network of modern facilities at airports for trade, catering, banking, and other passenger services, including under PPP terms;
- Ensuring high-level flight safety and security regime compliance through rules and practices to protect civil aviation from unlawful interference, as well as fulfilling state regulatory requirements.

From an economic perspective, it should be noted that the PPP mechanism primarily represents a system of state-regulated measures aimed at modernizing airport infrastructure, improving service quality, and stimulating innovative activity. Within this approach, stable cooperation is established between the state and the private sector, achieving efficient use of financial, technical, and management resources in implementing infrastructure projects.

As one of the strategic sectors of the country's infrastructure, airports are not only a central

element of the transport system but also a driving force of the national economy. In the context of today's globalization and fast logistics chains, modern airports are not just places for flight services but comprehensive business environments forming logistics and commercial hubs. In this regard, ensuring their efficient management and rapid development has become a critical issue.

In achieving the above objectives, the PPP mechanism plays an important role in modernizing airports, attracting investments, improving service quality, and creating a sustainable management system.

When analyzing the PPP concept, the principles underlying the partnership are first considered, including the following: first, the voluntary participation of the parties in the partnership and the long-term nature of mutual relations, thereby ensuring stable income in the long term, which is beneficial for all interaction subjects and positively affects sector development. Second, the specifics of project financing (financing both from state budget funds and by attracting entrepreneurial structures' funds). Third, among the partnership principles, equality of economic entities in accessing public services provided by business, as well as equality of private companies in the right to conclude PPP contracts (including the absence of discrimination against foreign companies in participating in local PPP projects), are highlighted [11].

Airports ensure connectivity and access between regional, national, and international markets. This makes investment in existing or new airport infrastructure necessary for economic development. Traditionally, airports have been owned, managed, and operated by states. However, in recent years, a global trend toward expanding private sector participation in the airport sector has been observed. This process is implemented through various forms of PPP.

In accordance with the Resolution of the President of the Republic of Uzbekistan dated October 20, 2018, No. PQ-3980 "On priority measures to create the legal and institutional framework for the development of public-private partnerships" [12], in order to promptly resolve tasks of social importance under mutually beneficial conditions, as well as to create a comprehensive set of institutional opportunities for effective management and coordination of the PPP system, the Agency for the Development of Public-Private Partnerships (hereinafter referred to as the Agency) was established under the Ministry of Finance of the Republic of Uzbekistan.

The Agency is established as a state institution and is the specially authorized body for implementing a unified state policy in the field of PPP in the Republic of Uzbekistan. Draft normative-legal acts, tender documents, as well as draft PPP agreements and amendments thereto must be mandatorily coordinated with the Agency.

The competencies of all participating institutions (Figure 1) are set out in the draft law on PPP.

1. Establishes the PPP Commission.
2. The PPP Commission approves specific PPP projects submitted by the Agency at a certain stage.
3. Implements a unified state policy in the field of PPP in the Republic of Uzbekistan.
4. Submits reports to the Ministry of Finance of the Republic of Uzbekistan.
5. Coordinates PPP projects with local government bodies and implements policy at the local level.
6. Coordinates all actions between central state governing bodies in the field of PPP.
7. Reviews proposals involving the state budget in the PPP implementation process and monitors state budget expenditures.

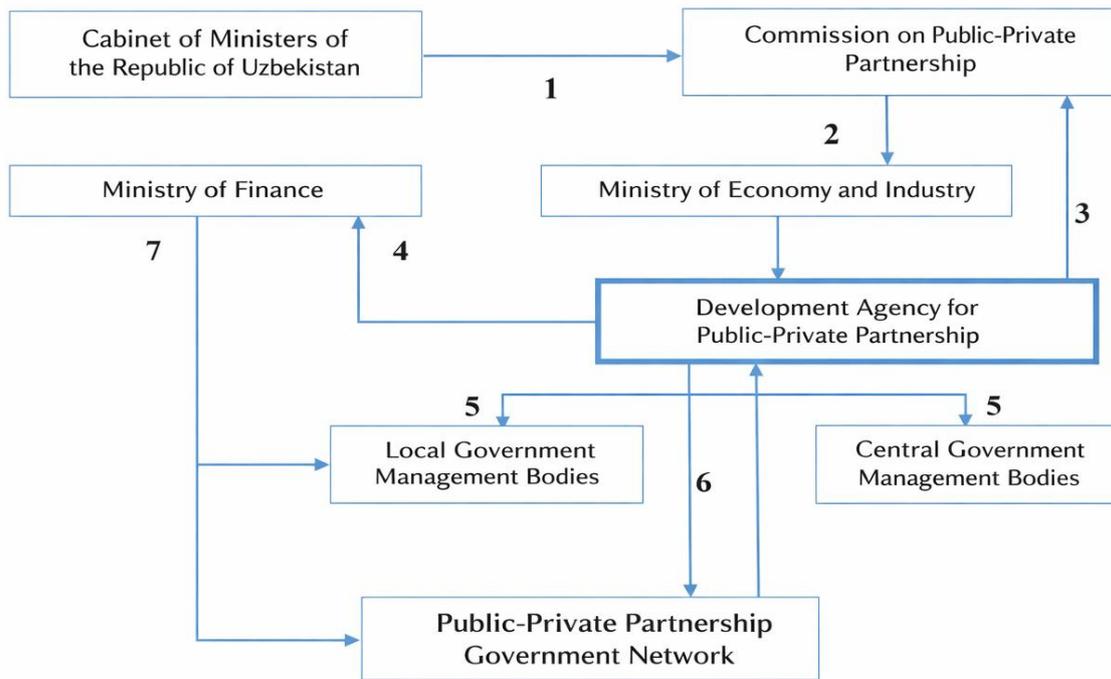


Figure 1. Institutional framework in the field of public-private partnership

From international experience, it is known that in developed countries, various innovative mechanisms are used to manage PPP projects. Some studies classify PPP mechanisms into three main types: delegation, merger, and independent adoption, demonstrating their application results at the international level [13].

Such mechanisms are particularly effective in the field of sustainable development, and their success depends on the active participation of various stakeholders.

In global practice, four main directions exist in the formation of PPP projects: market demand-based, regulation-based, innovation-based, and active management-based directions. In these directions, mutual value and trust, connections, policy review, and collaborative actions play an important role [14].

When speaking about PPP projects, the mechanism for attracting private sector financial resources is primarily considered. This is especially important for infrastructure projects requiring large capital in socially significant sectors. This is particularly relevant in conditions where budget funds are insufficient.

Thus, identifying and clarifying the main indicators of PPP contracts is an important step in assessing the appropriateness of projects, as well as their ability to attract investment from both the state and business sides. Failure to understand the necessity of applying the mechanism and specific features specified in a particular PPP contract is one of the main reasons for inefficient project implementation.

The Republic of Uzbekistan is also taking a number of steps to strengthen the normative-legal framework for PPP, improve institutions, and encourage private sector participation in infrastructure facilities such as airports. For example, in the Urgench airport modernization project, a 19-year concession agreement with a South Korean company assigns tasks such as construction and management of passenger and cargo terminals to the private partner.

PPP projects can reduce the burden on the state budget, help implement projects faster, and improve service quality. However, the success of projects depends on the following factors:

- Reliable guarantees at the legal and institutional levels;

- Clear and fair allocation of risks and obligations between the state and private partners;
- Effective monitoring and reporting system;
- Analysis of the project's economic, social, and environmental impact;
- Study and adaptation of local and international experience.

Through the modernization of airports and increasing private sector participation in management by JSC “Uzbekistan Airports,” as well as cooperation with international companies, there is an opportunity not only to modernize the transport system but also to strengthen regional economic development and tourism potential.

Overall, the public-private partnership mechanism can become an important tool for modernizing Uzbekistan's airport infrastructure, improving service levels, and attracting investments. Analyses show that if the above conditions are fully met, PPP projects will become a promising solution not only in the airport sector but also in infrastructure and social services overall.

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