

**THE ROLE OF PUBLIC–PRIVATE PARTNERSHIP MECHANISMS IN ECONOMIC
DEVELOPMENT OF UZBEKISTAN**

Rahimjonova Shohsanam Bakhodirovna

Toshkent state economical university Independent researcher

Abstract: This paper analyzes the role of public–private partnerships (PPPs) in Uzbekistan’s recent infrastructure and economic development. Using examples from the energy, healthcare, and transport sectors, it evaluates how PPPs attract private investment, improve service quality, and modernize critical infrastructure. The study highlights progress in building a modern PPP framework aligned with international practices, while noting ongoing challenges such as fiscal risk management and institutional capacity. The findings show that PPPs are becoming an important tool for Uzbekistan’s sustainable growth and offer recommendations to strengthen their long-term effectiveness.

Keywords: Public–Private Partnerships; PPP Framework; Infrastructure Development; Renewable Energy; Healthcare PPPs; Transport PPPs; Private Investment; Fiscal Risk Management; Uzbekistan; Sustainable Development.

Introduction. Public–Private Partnerships (PPPs) represent cooperative arrangements between the state and private actors aimed at financing, constructing, and operating infrastructure or public services. Globally, PPPs are viewed as an effective tool for attracting private capital and managerial expertise, improving efficiency, and optimizing risk distribution compared to purely public provision. Uzbekistan, transitioning toward a market-oriented economy, has made PPPs a central component of its reform agenda. After 2016, the country launched large-scale economic liberalization, culminating in the adoption of the first Law “On Public–Private Partnership” in 2019, which established a unified legal and institutional basis for PPP development. Since then, PPP mechanisms have been widely implemented in energy, healthcare, education, and transport to modernize infrastructure and enhance service quality. Uzbekistan’s prioritization of PPPs stems from the growing demand for modern infrastructure and the insufficiency of state budgets to meet investment needs.

By mobilizing private capital, advanced technologies, and operational know-how, PPPs help fill the infrastructure financing gap, accelerate project delivery, and support national development objectives. They also serve as a tool for attracting foreign investment and improving the performance of strategically important sectors. This article provides a concise analysis of the legal framework, sectoral applications, and economic significance of PPPs in Uzbekistan. It also reviews selected PPP projects, compares national experience with international practices, and offers recommendations to enhance the effectiveness of PPP mechanisms in ensuring sustainable economic growth.

Methods. This study uses a qualitative case-study approach based on policy analysis and comparative evaluation. The research relies on secondary sources, including government reports, legal documents, and statistical data on PPPs in Uzbekistan. Key legislative and institutional frameworks – especially the 2019 PPP Law and related regulations – were reviewed to understand how PPPs are structured and implemented. Project materials and assessments from the World Bank, ADB, EBRD, and IFC were analyzed to capture international involvement and expert evaluations. Empirical evidence was drawn from case studies in energy, healthcare, and transport, focusing on major PPP projects such as renewable energy plants, the dialysis services PPP, and planned toll road concessions. Data on investment volumes, project performance, and

macro-level effects were taken from official disclosures and analytical reviews, including IMF assessments. A comparative analysis was conducted by matching Uzbekistan's PPP practices with international standards and experiences. Triangulating government data, international benchmarks, and academic literature allowed the study to identify key achievements and existing challenges. Findings are presented in an IMRAD structure.

Results. Since 2018–2019 Uzbekistan has built a modern PPP system centered on the Public–Private Partnership Development Agency under the Ministry of Economy and Finance. The 2019 PPP Law (amended in 2021) established rules for initiating, preparing, and approving PPP projects, introduced mechanisms for unsolicited proposals, and defined procedures for tendering and risk assessment. Additional decrees, including Resolution No. 259 (2020), specify project preparation standards. A multi-level approval system now governs PPPs: smaller projects are cleared by the Ministry, while high-value projects (above ~\$10 million) require fiscal risk analysis and Cabinet approval. To limit fiscal exposure, annual caps on PPP commitments and stress-testing of projects involving guarantees have been introduced. International partners such as ADB, World Bank, IFC, and EBRD support feasibility studies and transaction structuring, helping align Uzbekistan's PPP framework with global best practices.

Energy. The energy sector accounts for over 90% of PPP investment. Uzbekistan is rapidly expanding renewable energy capacity through competitive tenders for solar and wind IPPs. Flagship projects include the Sherabad solar plant and large wind farms by Masdar and ACWA Power. These build-own-operate projects, backed by IFI guarantees and long-term PPAs, are adding thousands of megawatts of clean capacity and strengthening energy security.

Healthcare. The first PPP under the 2019 law was the dialysis services project implemented with IFC support. A private operator (NephroPlus) built and runs modern dialysis centers, expanding access for over 1,000 patients annually without raising government costs. New PPPs for radiotherapy centers and a planned 1,000-bed hospital in Nurafshon are under preparation, targeting technologically intensive service gaps.

Transport. Transport PPPs are emerging, with priority megaprojects including the Tashkent–Andijan and Tashkent–Samarkand toll highways (estimated \$5–6 billion). These expressways are expected to sharply reduce travel times and improve national connectivity. Airport PPP concessions are also being prepared to upgrade major airports through private management and investment.

PPP mechanisms have sharply increased infrastructure investment: Uzbekistan's PPP portfolio grew from \$6.2 billion in 2021 to about \$31 billion by 2024 (27% of GDP). Most financing comes from international investors and development banks, accelerating infrastructure delivery beyond what the state budget could support. Energy PPPs alone are set to add over 2,000 MW of new capacity, mitigating power shortages and supporting industrial growth. Transport PPPs promise major gains in logistics efficiency, reduced travel times, and regional integration. Healthcare PPPs have already demonstrated improvements in service quality and access.

Overall, PPPs are becoming a significant driver of infrastructure modernization, private-sector participation, and long-term economic development in Uzbekistan.

In the healthcare domain, the PPP approach is directly impacting social development indicators. The dialysis centers delivered under the PPP have markedly increased the treatment capacity for kidney patients – an estimated 1,100 additional patients per year are able to receive high-quality dialysis who previously might have lacked access. By eliminating out-of-pocket fees for these services (as the PPP guarantees free provision within the state program), the project also improves financial protection for vulnerable patients, thus having an equity impact. Furthermore, the quality improvements (use of latest equipment, better infection control protocols) introduced by the private operator are raising the standard of care, which can lead to better health outcomes

such as reduced complications or longer patient survival. These improvements align with Uzbekistan's goal of enhancing public services through PPPs, as was intended in the government's PPP strategy.

Another important impact of PPPs is the enhanced involvement of the private sector in the economy, which contributes to private sector development and innovation. By opening traditionally state-dominated sectors like energy and utilities to private partners, PPPs create new business opportunities and encourage the entry of international firms into Uzbekistan's market. The presence of companies like Masdar, ACWA Power, NephroPlus, and others through PPP contracts has secondary benefits: they often source some goods and services locally, hire and train local staff, and demonstrate new technologies or management techniques. This knowledge transfer and capacity building can have long-term positive effects, helping to develop local industries (for example, a local renewable energy industry cluster or improved medical training in dialysis care). The government explicitly notes that PPP projects leverage private-sector experience and resources to create new opportunities for growth in the economy. For instance, a PPP in public utilities might stimulate local companies to become subcontractors or suppliers, thereby stimulating SME growth. In the power sector, the introduction of competitive IPP projects has effectively created a new market segment where none existed, fostering a more competitive environment that could drive down costs and spur technological adoption (such as solar PV engineering know-how within Uzbekistan).

Furthermore, PPP projects often come with rigorous performance and efficiency targets, which can inspire improvements in public services overall. In the case of Uzbekistan, the involvement of IFIs in many PPPs has ensured that projects are designed with sustainability and efficiency in mind. For example, IFIs have helped structure contracts that allocate risks to the party best able to manage them, ensure transparency in procurement, and include monitoring frameworks over the life of the project. This means that the public sector is learning to manage complex contracts and enforce service standards, a capability that can spill over into other government procurement and public investment management practices. Over time, this could lead to a more efficient public sector that routinely evaluates project value-for-money and lifecycle costs, whether via PPP or traditional methods.

It should be noted that many PPP projects are still in construction or early operation phases, so their full economic impact will unfold in the coming years. The benefits like improved services, increased GDP growth from better infrastructure, and poverty reduction due to enhanced access will need to be measured through further studies. Nevertheless, early evidence from Uzbekistan's PPP experience points to a generally positive role in supporting infrastructure development, provided that projects are well-chosen and managed. The government's ability to attract nearly \$31 billion in PPP commitments by 2024 is itself indicative of increased investor confidence in Uzbekistan's reforms. This inflow of investment and expertise via PPPs is contributing to Uzbekistan's broader development goals, including its aim to sustain high GDP growth, create jobs, and move towards the Sustainable Development Goals. In the next section, we discuss how Uzbekistan's approach compares with international PPP practices and what challenges and lessons have emerged from these results.

Analyses. Drawing on the findings and comparative insights above, several recommendations can be made to strengthen the effectiveness of public-private partnership mechanisms in supporting Uzbekistan's long-term, sustainable economic development:

Deepen Institutional Capacity and Governance: Uzbekistan should continue to invest in the capacity of the PPP Development Agency and relevant line ministries. This includes training staff in project finance, risk analysis, and contract management, potentially with ongoing support from experienced international advisors. Establishing clear guidelines for contract management

and developing a centralized PPP project database for monitoring can improve oversight. Regular public reporting on the status and performance of PPP projects (e.g., annual PPP reports) would enhance transparency and accountability, aligning with international good governance practices.

Strengthen Project Preparation and Selection: It is crucial to ensure that PPP projects are subject to thorough feasibility studies, cost-benefit analysis, and affordability checks before approval. Uzbekistan's use of a Project Development Facility financed by EBRD is a positive step and should be fully operationalized to vet projects rigorously. Adopting a staged gate review (concept, feasibility, final approval) with independent experts can help filter out projects that are not viable or not aligned with strategic priorities. Emphasis should be placed on selecting projects that truly leverage private sector innovation and efficiency – not just those that shift debt off-budget. This strategic selectivity will guard against optimism bias and ensure that PPPs chosen are those with clear socioeconomic benefits.

Enhance Fiscal Risk Management: While PPPs can mobilize external financing, they can also create hidden liabilities. The government should implement recommendations on integrating PPPs into medium-term fiscal frameworks and debt sustainability analyses. Concretely, this means quantifying potential contingent liabilities from each PPP (e.g., guarantee exposure, termination payment obligations) and including these in debt management strategy documents. Uzbekistan is already considering caps on PPP liabilities; it should formalize and enforce these caps, revisiting them periodically. Additionally, setting up a dedicated unit within the Ministry of Finance for PPP fiscal risk assessment would institutionalize this function. This unit would review all PPP proposals for affordability and issue an opinion to decision-makers, similar to how some countries require a “fiscal impact report” for each PPP project.

Continue Legal and Regulatory Reforms: The PPP Law of 2019 (as amended) and related regulations should be continuously reviewed and refined as more projects are implemented. One near-term legal reform is the passage of the draft Toll Roads Law, which will provide a specific framework for road concessions. This will clarify issues like toll-setting, land acquisition, and concessionaire rights for highway projects. Beyond this, Uzbekistan may consider developing standardized PPP contract provisions (balanced clauses for dispute resolution, force majeure, government step-in rights, etc.) drawn from international model agreements, to expedite future projects and reassure investors with a degree of uniformity. Ensuring that the legal framework keeps up with evolving best practices – for example, by introducing clear rules for unsolicited proposals or for PPPs at municipal government level – will create a more predictable environment for private partners.

Improve Coordination and Alignment with Development Goals: PPP projects should not be pursued in isolation but rather be integrated into Uzbekistan's broader development plans (such as the national Development Strategy and sectoral master plans). A recommendation is to formalize the requirement that any PPP project aligns with identified priorities in the public investment program and, if relevant, the Sustainable Development Goals (SDGs). For instance, energy PPPs should tie into the targets for renewable energy capacity by 2030, and transport PPPs should correlate with regional connectivity plans. By doing so, PPPs become a means to an end (achieving development outcomes) rather than ends in themselves. A practical step could be setting up an inter-ministerial PPP council that reviews how proposed PPPs fit into national goals and ensures inter-sectoral coordination (e.g., a road PPP should involve the Transport Ministry, Economy and Finance Ministry, and regional authorities in planning).

Engage Stakeholders and Build Public Support: Public acceptance can make or break PPP projects, especially those introducing user fees like tolls or private operation of public services. The government should proactively engage with stakeholders – citizens, civil society, and

businesses – to explain the rationale and benefits of PPP projects. This includes transparency about tariff/toll-setting (to show that they are fair and, if needed, subsidized for vulnerable groups) and about the selection of private partners (to dispel concerns of non-competitive bidding). Involving end-users in monitoring service delivery (for example, feedback mechanisms for hospital PPPs or customer surveys for utilities under PPP management) can help ensure the private partner is held accountable to service quality. Uzbekistan might also consider pilot or demonstration projects for particularly sensitive PPPs (like the first toll road segment) to showcase benefits before scaling up, thus building trust gradually.

Leverage International Partnerships for Knowledge and Risk Mitigation: Uzbekistan has wisely worked with international development banks in its initial PPP ventures; continuing and expanding this collaboration will be beneficial. International financial institutions can provide partial risk guarantees, insurance (such as political risk guarantees), or even blending of grants to make projects more affordable. The authorities should also participate in international PPP knowledge networks (for example, global PPP communities of practice and regional PPP forums) to learn from other countries' experiences and keep abreast of innovation (such as green financing for PPPs or digital solutions in PPP transparency). Tapping into global expertise will help Uzbekistan refine its PPP processes and avoid “reinventing the wheel” on common issues.

Monitor and Adapt Contracts Over Time: Finally, for PPPs to support long-term sustainable development, their contracts and partnerships must endure over decades. It is recommended that Uzbekistan establish formal mechanisms for periodic review of PPP project performance (perhaps every 3–5 years) involving both the public and private partners. If external conditions change (technological shifts, climate impacts, etc.), the partnership should be flexible to adapt by mutual agreement, rather than ending in disputes. Developing a clear renegotiation framework in the regulations – consistent with protecting the public interest – can provide an orderly path to adjust contracts when necessary, rather than ad hoc responses. This approach acknowledges that over time pressures for adjustment are possible, and being prepared for that can turn potential conflicts into cooperative problem-solving.

By implementing these recommendations, Uzbekistan can bolster the effectiveness and sustainability of its PPP program. In essence, the country should consolidate its early gains by moving from an experimental phase of PPPs to a mature phase characterized by strong institutions, prudent financial management, and alignment with development objectives. Done right, PPPs will continue to be a powerful catalyst for Uzbekistan's development, accelerating infrastructure modernization, enhancing public services, and fostering economic growth, all while carefully managing the risks involved. The government's active commitment to reform and learning suggests that Uzbekistan is on the path to establishing a robust PPP ecosystem that can significantly contribute to its long-term sustainable development goals.

Discussion. Uzbekistan's experience with public-private partnerships demonstrates both alignment with global best practices and the typical challenges faced by countries new to PPPs. Institutionally, Uzbekistan quickly adopted core elements of modern PPP systems: the creation of a central PPP Development Agency mirrors successful international models, while the 2019 PPP Law and its later amendments brought the country's regulatory framework closer to global norms. The broad sectoral openness of the PPP law and clarified procedures for tenders, unsolicited proposals, and risk allocation reflect international approaches where PPP is treated as a procurement tool rather than a sector.

The introduction of multi-stage project appraisal and high-level approval requirements for large projects aligns with IMF and World Bank recommendations. As in many countries, Uzbekistan still needs deeper integration of PPP planning into its medium-term fiscal framework to improve control over contingent liabilities. Current discussions on PPP liability caps and enhanced fiscal

assessments suggest a growing awareness of fiscal risks and demonstrate learning from international experience.

Sectorally, Uzbekistan's PPP development follows a familiar trajectory seen in emerging markets: early concentration in energy projects with clear revenue streams, followed by expansion into more complex areas such as transport and healthcare. Strong involvement of international financial institutions – providing financing, advisory services, and guarantees – matches global patterns and has helped Uzbekistan attract reputable investors while adopting international tendering and risk-management standards.

Nevertheless, Uzbekistan faces challenges typical of PPP programs worldwide. Demand forecasting risks, particularly for toll roads, require conservative assumptions to avoid financial distress or contract renegotiation. International experience shows that renegotiation pressures over time are common, underscoring the need for robust contract design and built-in flexibility. Fiscal risk management is another area needing attention: transparent reporting of PPP liabilities and strict enforcement of PPP ceilings would bring Uzbekistan closer to leading international examples.

Rapid growth in the number of PPP contracts highlights both progress and potential strain on institutional capacity. Effective oversight of nearly a thousand PPP projects, especially as large-scale contracts begin operation, will require strengthened expertise within the PPP Development Agency and line ministries. This challenge is common internationally, particularly in countries that decentralized PPP implementation without sufficient central oversight.

Uzbekistan's approach also illustrates the importance of balancing political support with due diligence. Strong political commitment has accelerated PPP adoption, but international experience shows that speed should not compromise project quality. Encouragingly, Uzbekistan has shown the ability to adjust course through legal amendments and stricter procedures. The government's emphasis on transparency in tenders, particularly in flagship projects like dialysis and solar energy, aligns with global standards and helps build investor confidence.

In summary, Uzbekistan's PPP system broadly reflects international best practices in its legal and institutional design, early project choices, and reliance on IFI support. At the same time, it faces common challenges in fiscal risk management, capacity constraints, and ensuring realistic project selection. Uzbekistan's openness to global expertise and willingness to adapt suggest strong potential for developing a mature, sustainable PPP ecosystem aligned with long-term development objectives.

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