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SOI: [1.1/TAS](#) DOI: [10.15863/TAS](#)

## International Scientific Journal Theoretical & Applied Science

p-ISSN: 2308-4944 (print) e-ISSN: 2409-0085 (online)

Year: 2021 Issue: 06 Volume: 98

Published: 03.06.2021 <http://T-Science.org>

QR – Issue



QR – Article



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## PUBLIC-PRIVATE PARTNERSHIP – AS AN EFFECTIVE MECHANISM OF FINANCING OF INNOVATION PROCESS

**Abstract:** The article is based on the fact that the development on the innovative basis and the rational use of achievements between science and industry is an important factor in national economic growth. Also, the proposals have been developed to create opportunities for public-private partnerships to finance innovative projects and strategic programs as one of the effective mechanisms for financing of innovation processes in the development, liberalization and improvement of the economy.

**Key words:** economics, science, education, production, public-private partnership, innovation projects, strategic programs, financing of innovation processes.

**Language:** English

**Citation:** Rasulov, N. A. (2021). Public-private partnership – as an effective mechanism of financing of innovation process. *ISJ Theoretical & Applied Science*, 06 (98), 68-71.

**Soi:** <http://s-o-i.org/1.1/TAS-06-98-9> **Doi:**  <https://dx.doi.org/10.15863/TAS.2021.06.98.9>

**Scopus ASCC:** 2000.

### Introduction

Today, one of the main tasks is developing the socio-economic potential of the country on an innovative basis in the modernization of all sectors of the economy and the effective management of scientific and technological innovations. At the same time, the rational use of the achievements between science and industry requires the implementation of innovative processes in various sectors of the economy. This is one of the important factors of national economic growth.

It should be noted that in order to create any consumer-friendly innovation and reach consumers faster, it must first be provided with financial resources. There, first of all, it is expedient to make extensive use of the experience of foreign countries with innovative and investment development.

Public-private partnerships (PPP) play an important role in the consistent development, liberalization and innovative improvement of the economy sectors. Their purposeful cooperation is one of the effective mechanisms for financing innovation processes, which allows to manage and finance innovative projects based on the interests of both parties, long-term strategic programs.

### Urgency

The Action Strategy for the five priority areas of development of the Republic of Uzbekistan for 2017-2021 that “one of the important tasks is to reduce the role of the state in the socio-economic development of the country, democratic reforms in government, expanding public-private partnership”.

The mechanism of financing innovations created in the republic and its regions is considered as a necessary tool in the modern market economy for the rational use of innovative technologies at the international level, its path of innovative development and competitive environment. The development of the country's economy in an innovative way is aimed at the implementation of innovative projects and ideas. The establishment of PPP as a modern tool for financing innovation processes, using the experience of developed countries in achieving this goal, will serve as one of the important tools for achieving concrete results in the future. The participation of the private sector in the financing of innovative projects will reduce the high level of risk, as well as increase its efficiency. The somewhat successful and unsuccessful experiences of the last 10-12 years show that the state has required the private sector to

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cooperate in the innovative development of economic sectors.

### Theoretical approaches

In the analysis of the PPP mechanism, it is appropriate to highlight the theoretical aspects of this term.

According to S.Yu.Sivakova, PPP is an agreement on the production and provision of infrastructure services by mutual agreement, which involves the attraction of additional investment and the implementation of cooperation agreements as a means of increasing the efficiency of state budget financing [1].

According to the guide developed by the United Nations, “PPPs are established for the purpose of financing, planning and ensuring the operation of public sector facilities, facilities, and services. Its main features are: a) long-term organization and delivery of services; b) reducing risk and supporting private sector participation; c) diversity of contracts concluded by legal entities with government agencies, etc [2].

D.E.Morokin is interested in implementing business projects and maximizing profits from it in further enhancing PPP. The reason is the implementation of innovative projects, the private sector seeks to achieve economic freedom and increase labor productivity. It is in the interest of the state that the republican and regional budgets, additional revenues from rent and concession payments, etc. [3].

### Analytical part

The use of PPP mechanisms is currently observed in almost all sectors of the economy. This cooperation mechanism is one of the promising forms of involving the business sector in solving major project programs at the national and regional levels. However, the use of this mechanism in the financing of innovative projects for the purpose of innovative development is not widespread.

PPP seems to be a traditional concept, in this rapidly evolving period, the term is being interpreted in a modern way. PPP, contractual cooperation between local governments and the private sector, increase funding for innovative projects, diversify risks, increase the interest of entities in the implementation and the likelihood of achieving the expected result.

According to the experience of foreign countries, PPP is widely used in the implementation of long-term strategic programs of innovation projects. Effective use of PPP has begun in other countries, such as the United Kingdom, the United States, France, Canada.

The UK can be described as one of the most widely developed countries in terms of PPP. In the United Kingdom, the Private Financial Initiative program, based on a concession agreement, was launched in 1992. According to the program, the development of the regions will increase to a certain extent, and the private sector will be engaged in the implementation of targeted business projects on the terms provided by the state, construction, financing, operation of facilities [4].

PPP have also developed in the United States, emerging in the following key areas:

- research network and intersectoral production;
- attracting the country’s scientific potential to solve national problems at the state level and the technologies created by federal funds for the development of industry in other countries [5].

On the other hand, PPP is a set of organizational and legal relations and efforts aimed at achieving the goals of innovative development at the micro and macroeconomic levels through the implementation of projects and programs in the field of innovation [6]. Science has a special place in this cooperation. In this case, each fulfills its function, that is, the main task of science – innovation and development, the main task of the state - to create opportunities, conditions, the main task of the private sector - to buy and sell created innovations (Figure 1).

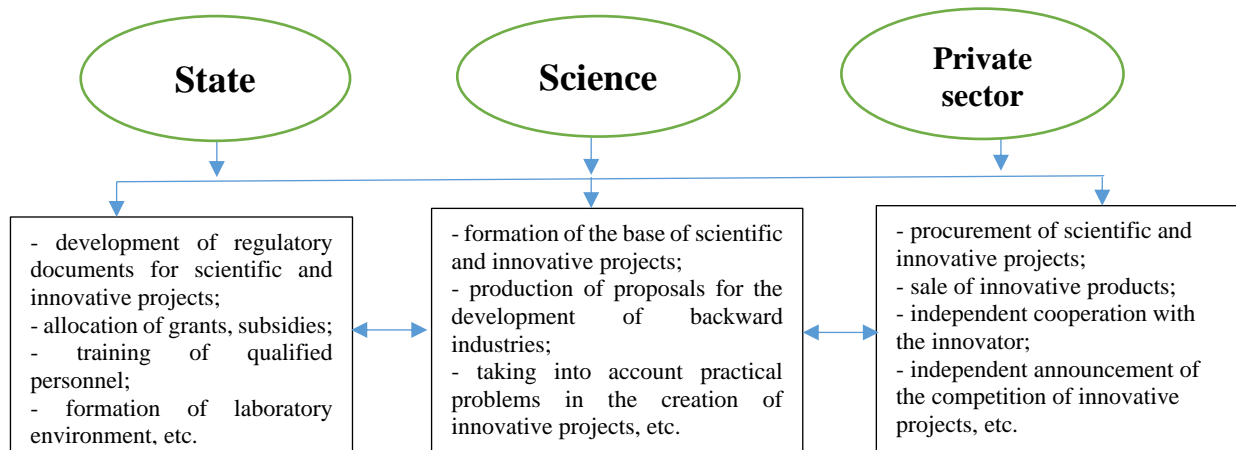


Figure 1. Innovation support mechanism

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The use of the PPP mechanism has significantly expanded in practice. In using this mechanism, if the state is unable to finance projects in the production process, it can direct it directly to the private sector and leave it to its control. Such legal relations create conditions for the gradual implementation of large-scale projects, research and innovation. At the same time, the flexibility of the financial system and its individual elements allows us to take into account the dynamically changing conditions of market conditions. The methods of financing innovative processes used in the country today do not meet internationally accepted principles. Therefore, the efficiency level is low. Based on the specifics of this cooperation, it creates the necessary conditions for the activation of the innovative environment of production entities. As a result, innovation activity is a growth in PPP, carried out at all stages of the innovation process. In particular, science, education, research and so on.

In any case, the solution of problems of development of the country's economy on an innovation basis, PPP in support of innovation processes, is recognized as a mechanism for financing innovation.

By involving the private sector in the implementation of innovative projects by the state, it helps to save budget funds, diversify the risk of implementing innovative developments, reduce the cost of the pilot process, improve quality in the market of socially important services, and develop competition. The private sector, in turn, will be able to effectively place long-term investments under state guarantees in the introduction of innovative developments into production, as well as expand the market of services and increase its profitability.

Financing of innovative projects is formed through a system of organizing the investment process, in which the initiator or investor borrows financial and other resources from a third party, which does not significantly affect the quality of its balance sheet, creditworthiness and level of risk. In this case, the source of income and the return of loans, the inflow of funds for the implementation of innovative projects, the assets are recorded as collateral for lending [7].

PPP are initially projected to produce future projects. Necessary information about the innovative project will be collected and a program for its implementation will be formed. According to him, the process of collecting information about the innovative project includes:

1. Defining the main tasks in the field of PPP;
2. Description of the main data of the funded project;
3. Effective methods of PPP;
4. Distribution of rights and obligations of cooperation.

In this case, the financing of innovative projects brings the following advantages:

- If the bulk of funding is provided by the state, the private sector is the producer of the project. On the contrary, the state controls its creation only on the basis of normative legal acts;

- If there is a possibility of using credit funds, in this case it is expedient for the private sector to assume this obligation;

- Liabilities of the enterprise (private sector) creating the innovative project are not reflected in the balance of the state and its shareholders;

- Development of the optimal version of the norms of state participation in the management of innovative projects and further increase of capital turnover in foreign trade, in this process accurately assess the level of development of regional industries and regional potential, encourage investment in service priorities;

- Enhancing the innovative potential of regional enterprises, the use of foreign best practices, cooperation with foreign enterprises not only in the cooperative management of production activities, but also in the development of optimal options for management activities and systems, improving the management system;

- Paying special attention to the proportional distribution of state budget funds in the financing of innovative projects based on the economic potential of the regions;

- In-depth state expertise in the financing of regional innovative projects at the expense of the state budget or the private sector, pay special attention to its selection and focus on the viability of the funded projects and the export orientation of the project.

## Conclusion

Direct investments by the state for innovation processes are aimed at coordination, taking into account the needs of the private sector. The formation of the Coordination Council can also be done on the basis of equal rights of the public and private sectors. The advantage of this mechanism is that both parties can benefit from the implementation of innovative projects of social significance. Its disadvantage is that the implementation of the innovation process can lead to politicization and changes in cash flow, as well as the active formation of a corrupt environment in the political sphere.

It is expedient to ensure long-term, intensive innovative development of the economy by improving the mechanism of financing of innovation processes in Uzbekistan, to choose effective ways to widely introduce innovative projects using local resources. Innovation requires a modern economy. In a traditional economy, however, the pace of innovation development may be at a low rate. Therefore, the use of modern mechanisms in

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financing innovative processes and their constant improvement is required.

In conclusion, the above proposals include the existence of an alternative financing base, a number of mechanisms for its improvement, including the

development of a regulatory framework for the formation of innovative infrastructure in line with the current economic environment, the use of incentive mechanisms for financing innovative projects.

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