ENHANCING THE ROLE OF INTERNATIONAL FINANCIAL INSTITUTIONS IN FINANCING PUBLIC PRIVATE PARTNERSHIP PROJECTS

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Abstract. International financial institutions can expand public-private partnership financing most effectively by improving project bankability, allocating risks efficiently and mobilizing additional private capital. This paper examines infrastructure investment data, selected IFC results and a renewable-energy PPP in Uzbekistan. It proposes a coordinated financing mechanism that combines preparation assistance, long-term lending, targeted guarantees, selective concessional support and post-construction refinancing. The central recommendation is to evaluate international support through additionality, fiscal affordability and service outcomes rather than the volume of institutional lending alone. An illustrative debt-service calculation demonstrates how financing terms can affect project resilience, without presenting the scenario as an observed project result.

Keywords: public-private partnerships; international financial institutions; private capital mobilization; guarantees; blended finance; Uzbekistan.

Infrastructure projects require large initial investment and generate revenues over long periods. Public authorities face budget constraints, while investors face uncertainty about tariffs, demand, public payment performance and contract enforcement. A PPP links private financing and operational responsibility to a public-service contract, but its commercial structure does not remove the need for public oversight or a sustainable source of payment. International financial institutions (IFIs) can help address specific financing and institutional constraints when their intervention

is matched to a credible project design.

The research objective is to develop recommendations for increasing the contribution of IFIs to sustainable PPP financing, with particular attention to Uzbekistan. The analytical proposition is that earlier involvement in preparation and selective risk mitigation can be more valuable than simply increasing direct loans. This proposition is assessed through documentary evidence and a transparent numerical illustration; it is not tested as a causal econometric hypothesis.

The study uses documentary analysis, comparative institutional analysis, structural analysis, descriptive statistics, financial scenario calculation and scientific generalization. Sources include the World Bank PPI Annual Report 2024, IFC annual results, the PPP Reference Guide and official project announcements [1–7]. PPI data cover a broader category than contractually defined PPPs and record investment commitments rather than completed expenditure. IFC institution-wide figures include activities outside PPPs. Consequently, these series are reported separately and are not added together. The evidence is a targeted review, not an exhaustive systematic review.

Investment evidence and implications for financing

The World Bank reports PPI commitments of USD 100.7 billion across 315 projects in 2024, compared with USD 87.1 billion across 324 projects in 2023 [1]. Table 1 separates reported values from author calculations. Growth in aggregate commitments alongside fewer projects suggests that expanding the number of well-prepared transactions remains a distinct challenge. The data alone do not identify the effect of IFI intervention.

Table 1 Infrastructure commitments and selected IFC indicators

Indicator	Earlier value	Later value	Change
PPI commitments, USD bn	87.1 (2023)	100.7 (2024)	+15.6%
PPI project count	324 (2023)	315 (2024)	−2.8%
Mean commitment per PPI project, USD m	268.8 (2023)	319.7 (2024)	+18.9%

Indicator	Earlier value	Later value	Change
IFC total commitments including mobilization, USD bn	56.0 (FY2024)	71.7 (FY2025)	+28.0%
IFC mobilization from others, FY2024, USD bn	—	22.5	Single-year value
Of which mobilization through PPPs, FY2024, USD bn	—	4.8	21.3% of 22.5

Sources: [1–3]. Percentage changes, mean commitments and the 21.3% share are author calculations. PPI years are calendar years; IFC years are fiscal years. Mean commitment equals total commitments divided by project count. Rounded values may differ from published percentage changes.

The IFC results demonstrate that a development institution can support investment beyond its own balance sheet. However, the USD 4.8 billion PPP figure is one reported mobilization component, not the entire global PPP market [2]. Evaluating future interventions requires consistent definitions of own-account financing, commercial co-financing and concessional contributions. A reported financing package should also distinguish commitments from disbursements.

For policy design, the main implication is that capital supply and project readiness must develop together. A larger lending envelope cannot compensate for unresolved land rights, an unreliable public purchaser or a procurement process that fails to attract qualified bidders. Conversely, standardized and credible contracts can help financiers assess projects without repeatedly pricing the same institutional uncertainties.

The economic rationale for international support

IFI participation may reduce information asymmetry by bringing due diligence, independent technical assessments and experience with similar transactions. Longer maturities can better align debt repayment with the useful life of an asset. Guarantees

can address specified public-payment or political risks, while commercial sponsors remain responsible for risks they can manage. These are plausible mechanisms, not automatic outcomes: the cost of institutional requirements, transaction delays and guarantee fees must be included in the appraisal.

A project example from Uzbekistan

The Bukhara solar and battery project illustrates how several instruments can be combined. A World Bank announcement dated 21 May 2024 describes the following package and physical parameters [4]. The values are announcement-stage commitments and design characteristics; they do not establish subsequent disbursement, commissioning or realized performance.

Table 2 Announced Bukhara solar and battery project parameters

Component	Reported amount or parameter
Solar photovoltaic capacity	250 MW
Battery power capacity	63 MW
IFC loan	Up to USD 53 million
ADB, FMO and JICA loans combined	Up to USD 106 million
World Bank payment guarantee	Up to USD 12 million
Canada–IFC concessional senior loan	USD 20 million
ADB-managed LEAP concessional senior loan	USD 20 million
Electricity purchase agreement	25 years; battery operating term 10 years

Source: [4]. The guarantee is contingent risk coverage, not a cash loan. The announcement does not provide a fully reconciled sources-and-uses statement; these items are therefore not summed into a project cost. Battery MW describes power, not energy-storage capacity in MWh.

The financing architecture combines lending, payment-risk mitigation and concessional resources. IFC also provided transaction advice and interest-rate swaps [4]. This arrangement shows why the role of an IFI should be analyzed across project stages. The same broad institutional ecosystem can help prepare a tender, assess a borrower and manage a specific financing exposure, provided conflicts of interest are governed appropriately.

The transferable policy lesson is to identify the financing constraint before selecting an instrument. A guarantee may address non-payment exposure but cannot correct poor engineering or insufficient demand. Concessional resources may support a demonstrable public benefit but should not replace competitive price discovery. Advisory support should leave public institutions able to monitor their contracts after financial close.

Moving beyond energy projects

ADB has also announced support for preparation, structuring and procurement of preschool PPPs in Uzbekistan [5]. This is evidence of an advisory role rather than a reported financing total. Extending international participation to social infrastructure requires a different repayment analysis: predictable budget-funded service payments may matter more than electricity sales or user fees. Project appraisal must examine affordability for government and access for users alongside lender requirements.

For smaller education, health and water projects, pooling similar assets could spread preparation costs. Such aggregation should retain asset-level performance data and transparent payment deductions. A single portfolio should not conceal weak sites or transfer risks indiscriminately between projects. A pilot portfolio can establish whether standardization actually lowers costs before it is expanded nationally.

Recommendations for strengthening the financing mechanism

First, establish a joint project-preparation pipeline led by national authorities. Sector ministries should identify service needs, while the finance ministry evaluates

affordability and fiscal exposure. IFIs should contribute technical and transaction expertise before tender launch. Independent review should verify demand, land access, environmental requirements, lifecycle costs and the suitability of PPP procurement relative to public delivery. Projects should progress only when these tests are met [6,7].

Second, match instruments to risks instead of applying broad guarantees. Construction performance should generally remain with the contractor and sponsor; public payment risks require transparent contractual protection. Foreign-currency borrowing against local-currency revenues needs a documented hedge, an affordable indexation rule or an explicitly priced residual exposure. IFI participation should not be treated as a substitute for creditworthiness analysis.

Table 3 Proposed instruments and safeguards

Financing constraint	Instrument	Required safeguard
Weak project preparation	Technical assistance and preparation facility	Independent appraisal and open procurement
Insufficient debt maturity	Long-term IFI loan and co-lending	Lifecycle cash-flow and refinancing analysis
Public purchaser payment risk	Targeted payment guarantee	Exposure cap and fiscal disclosure
Currency or rate mismatch	Local-currency loan or hedge	Include hedge costs and residual risks
Unfunded measurable externality	Selective concessional tranche	Minimum subsidy and additionality test
Limited commercial participation	Syndication and refinancing	Verified incremental capital and clear attribution

Source: author recommendations informed by [6,7]. Instrument availability depends on the institution, borrower and transaction; the table does not imply an offer of financing.

Third, apply concessional finance only when the financing gap is supported by evidence. Authorities should disclose the objective, eligibility criteria and estimated subsidy, and consider whether regulation or a direct public expenditure would achieve the same objective more efficiently. Competitive selection can reduce the subsidy required, although the result depends on the depth of the bidding market. Subsidies should not compensate investors for avoidable inefficiency.

Fourth, coordinate due diligence among financiers. A shared data room, compatible technical assumptions and a common timetable can reduce duplicated work. Each lender retains its own credit decision, but the project company should not have to reconcile contradictory base cases. Public authorities should preserve access to final financial models, contract amendments and performance reports.

Fifth, plan a transition to commercial finance. Once construction risk declines and a reliable operating record exists, refinancing may attract banks or institutional investors. Contracts should allocate refinancing gains transparently, preserve service standards and assess prepayment costs. Successful transition releases development finance for projects that still face binding market constraints.

Financial illustration and implementation priorities

Consider an illustrative project with USD 100 million of initial investment, 70% debt and annual cash flow available for debt service of USD 10 million. Table 4 compares a commercial debt profile with a hypothetical IFI-supported profile. Both use constant annual annuity payments, no grace period and full amortization. The second scenario is an analytical assumption, not a quoted IFI lending offer.

Table 4 Illustrative effect of debt terms on repayment capacity

Parameter	Commercial case	IFI-supported case
Debt principal, USD million	70.00	70.00
Annual interest rate	10%	7%
Repayment period	10 years	15 years

Parameter	Commercial case	IFI-supported case
Annual debt service, USD million	11.39	7.69
Annual available cash flow, USD million	10.00	10.00
Debt service coverage ratio	0.88	1.30
Coverage with cash flow 20% lower	0.70	1.04

Source: author calculations. Annual debt service A = D × r / [1 − (1 + r)^(−n)], where D is debt principal, r the annual interest rate and n the number of years. DSCR = cash flow available for debt service / annual debt service. Figures exclude fees, hedging costs, taxes and reserve requirements.

Lower annual repayment improves coverage by approximately 0.42 points and reduces annual debt service by about 32.4%. Nevertheless, the stressed IFI-supported case has coverage of only about 1.04, leaving a narrow cushion. Extending maturity also increases the number of interest payments: lower annual debt service does not necessarily mean lower total nominal financing cost. Appraisal must compare discounted costs and include all charges, rather than relying on the headline rate.

Implementation should begin with a small number of projects for which the binding constraint is clearly documented. During the first preparation stage, authorities should establish baseline estimates and select the appropriate international partner. Before procurement, they should publish key selection criteria and approve fiscal exposure. After financial close, monitoring should cover financing disbursement, service availability, payment deductions and contract changes.

Performance indicators should include preparation time, qualified bidders, incremental commercial capital, financing maturity, public guarantees outstanding and service reliability. Mobilization should be measured with a stated attribution method that avoids counting the same funding under several institutions. Fiscal reporting

should cover direct payments and contingent obligations, including termination provisions [7]. Numerical targets should be set from observed baselines, rather than adopted as universal benchmarks.

Increasing the role of IFIs in PPP financing requires a stronger connection between project preparation, risk allocation and private capital mobilization. Uzbekistan can apply this approach through coordinated preparation, targeted guarantees, carefully justified concessional support and refinancing after construction. The expected contribution should be judged by additional finance and reliable services achieved within an affordable fiscal framework. International lending becomes most useful when it strengthens domestic capabilities and helps viable projects progress toward sustainable commercial financing.

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