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RECOMMENDATIONS FOR IMPROVING INTERACTION BETWEEN PUBLIC AND PRIVATE ENTITIES IN PUBLIC PRIVATE PARTNERSHIPS

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Abstract. This paper proposes a mechanism for improving cooperation between public authorities and private partners throughout the public–private partnership (PPP) lifecycle. Its central argument is that effective interaction requires accountable decisions, measurable service obligations and explicit treatment of fiscal exposure. Published international and Uzbekistan-specific evidence provides the context; the recommendations are developed through institutional reasoning and an illustrative financial calculation. The proposed mechanism combines project screening, a joint information system, allocation of risks according to managerial capacity, independent performance verification and controlled contract adjustment. Implementation should proceed through pilot projects before wider application. The paper does not report an original survey or claim that the recommended measures have already produced measured benefits.

Keywords: public–private partnership, institutional coordination, risk allocation, fiscal exposure, performance monitoring, contract governance.

The purpose is to formulate practical recommendations for improving the interaction mechanism between public and private entities, with particular relevance to Uzbekistan. The research question is how cooperation can remain commercially credible while protecting service quality, public affordability and accountability. Methods comprise documentary analysis, comparative institutional analysis, structural and logical analysis, arithmetic comparison and scientific synthesis. The source review is targeted rather than systematic. Data periods are stated explicitly, and evidence

available on 9 October 2026 is used.

The analytical contribution is a proposed governance architecture linking decision authority, information exchange, contractual incentives and corrective action. The framework is intended for adaptation to individual sectors. A hospital service contract, a road concession and an electricity purchase arrangement require different indicators, payment structures and regulatory interfaces.

Evidence supporting the need for reform

Investment commitments demonstrate the scale of private participation, but they do not measure completed infrastructure or public service outcomes. Table 1 presents selected published indicators. The 2023 global investment figure follows the revised comparator in the 2024 report, ensuring consistency within that publication [1].

Table 1 Selected published indicators

Indicator and coverage	Period	Value
PPI commitments in low and middle income countries	2023	USD 87.1 billion
Same coverage	2024	USD 100.7 billion
Number of PPI projects	2023 / 2024	324 / 315
Value of signed PPP contracts in Uzbekistan	End 2024	USD 31 billion; 27% of GDP
Government estimate of direct and contingent PPP liabilities in Uzbekistan	End 2024	15% of GDP

Sources: World Bank PPI Annual Report 2024 [1]; IMF Selected Issues Paper 2025/087 [2]. Global PPI coverage includes forms of private participation beyond narrowly defined PPP contracts. Uzbekistan figures describe a contract portfolio and estimated obligations; they are not directly comparable with annual global commitments.

Using Table 1, commitments increased by 15.6%, while project numbers decreased by 2.8%. The calculated mean commitment rose from approximately USD 268.8 million to USD 319.7 million per project, an increase of 18.9%. These averages

are affected by project composition and do not establish greater efficiency. The Uzbekistan liability estimate must not be interpreted as an immediate budget payment or simply added to public debt.

The institutional implication is that portfolio growth should be accompanied by stronger screening and monitoring. A contract can attract investment while creating future affordability problems. Conversely, a financially conservative contract may deliver weak services if obligations are poorly specified. The proposed interaction mechanism therefore evaluates investment, service performance and public exposure separately.

A proposed mechanism for institutional coordination

Each project should have a designated public contract manager and a clearly identified private counterpart. Their joint working group should resolve operational questions, maintain the issue register and coordinate information. It should have no authority to waive contractual obligations, approve additional guarantees or replace regulatory decisions. Changes affecting public payments should require separate financial review and documented authorization.

A project passport should record the service problem, baseline conditions, expected users, delivery alternatives, capital costs, operating costs, land requirements and public commitments. Before procurement, the authority should compare the proposed PPP with a credible public delivery alternative. The comparison should use consistent service specifications and risk assumptions. A positive comparison alone should not establish budget affordability.

Table 2 Proposed decision and accountability structure

Decision	Accountable entity	Required evidence
Select delivery option	Public procuring authority	Alternatives assessment and service baseline
Approve public exposure	Competent finance authority	Payment profile and stress analysis
Deliver and maintain services	Private project company	Verified operational records

Decision	Accountable entity	Required evidence
Confirm payment entitlement	Public contract manager	Independent service verification
Authorize material amendments	Authorized public decision body	Cost, risk and competition review

Source: author's proposed structure. Institutional names and legal powers must be mapped to the applicable national and sectoral framework before adoption.

The joint information system should hold approved contract versions, payment schedules, performance records, inspection reports, complaints and unresolved issues. Access rights should distinguish public disclosure from commercially sensitive information. Every material decision should have a dated record, a responsible officer and an explanation. A shared database improves coordination only when the parties agree on definitions and verification responsibilities.

Preparation capacity also requires a stable budget. Public authorities should fund feasibility analysis and contract management before committing to procurement. Training should cover lifecycle costing, negotiation, engineering standards and financial modelling. Staff continuity matters because changes in personnel can otherwise destroy institutional knowledge during a long concession.

Risk allocation and payment incentives

The World Bank explains risk allocation as a means of improving incentives and value for money [3]. Building on this principle, Table 3 proposes a starting allocation matrix. It is a negotiating framework, not a universal rule: responsibility should reflect control, information and the ability to absorb consequences.

Table 3 Proposed allocation of selected risks

Risk	Starting allocation	Required safeguard
Construction cost and delay	Private partner	Clear scope and verified milestones
Land access and public approvals	Relevant public authority	Readiness checks before tender

Risk	Starting allocation	Required safeguard
Maintenance and service availability	Private partner	Output standards and deductions
Demand uncertainty	Sector dependent	Independent forecast and downside case
Currency mismatch	Explicitly negotiated	Hedging options and capped support
Exceptional disruption	Defined shared treatment	Relief conditions and insurance
Asset condition at handback	Private partner	Inspections and restoration security

Source: author's recommendations. The final allocation must be priced, legally enforceable and consistent with the payment model.

For availability-based arrangements, a portion of payment should depend on independently verified service delivery. Deductions should be proportionate to severity and duration. They should be strong enough to encourage timely correction while avoiding mechanical penalties that make a recoverable project insolvent. Repeated serious failures should trigger an escalation process, potentially including contractual step-in arrangements.

Demand guarantees require particular discipline. An unconditional guarantee may weaken incentives to prepare reliable forecasts and transfer losses to the budget. The authority should first consider whether demand is controllable by the private operator. Where support is justified, its ceiling, trigger, duration and disclosure should be established in advance. Currency protection should likewise be designed around demonstrable exposure rather than guaranteed investor returns.

Contract adjustment should follow predefined rules for indexation, change requests and exceptional events. A request should document its cause, cost and effect on service delivery. Independent review is especially valuable when an amendment would increase public obligations. The World Bank's contractual guidance provides a reference for drafting detailed provisions [4]; legal and sectoral adaptation remains

necessary.

Quantitative monitoring and an illustrative calculation

The monitoring framework should distinguish operational results, user experience and fiscal commitments. Table 4 proposes measurable indicators. Thresholds should be calibrated using baseline data and sector standards; no numerical target below is presented as an established Uzbekistan benchmark.

Table 4 Proposed monitoring indicators

Indicator	Measurement	Review
Service availability	Available required hours / total required hours × 100	Monthly
Cost deviation	Actual cost / approved baseline cost − 1	Quarterly
Payment reliability	Payments made by due date / payments due × 100	Monthly
Complaint resolution	Cases resolved within agreed time / eligible cases × 100	Monthly
Fiscal exposure	Annual payments and contingent obligations by scenario	Annual and at amendment
Asset condition	Independent condition assessment against contract	Annual; intensified near handback

Source: author's proposed indicators. Cost deviations require a consistent baseline, inflation treatment and reporting boundary. Complaint outcomes should be checked to prevent premature administrative closure.

Consider a purely hypothetical availability contract with annual public payments of USD 10 million for 20 years and a 6% annual discount rate. Assuming end-of-year payments, their present value is $PV = 10 \times [1 - (1.06)^{-20}] / 0.06 =$ USD 114.70 million. If all annual payments rise by 10%, PV becomes USD 126.17 million, increasing by USD 11.47 million. A separate immediate contingent payment of USD 15 million would raise baseline exposure to USD 129.70 million. These are scenario calculations, not observed PPP costs or forecasts.

This example demonstrates why small changes to recurrent payments can have significant cumulative effects. The discount rate is an analytical assumption, not a prescribed official rate. A complete appraisal would include construction timing, taxes, indexation, guarantees, termination exposure and the public delivery alternative. Sensitivity analysis should test demand, exchange rates and delays individually and in combined scenarios. Expected losses also require credible probabilities; the present calculation supplies none.

Implementation priorities and conclusion

During the first six months, the responsible authorities should inventory contracts and public obligations, identify missing information and select a small set of pilot projects. Selection should include different payment structures and sectors. The baseline review should document current service performance, payment delays and unresolved disputes so that subsequent improvements can be assessed against evidence.

During months seven to twelve, the pilots should introduce the project passport, a common reporting dictionary, the risk register and independent verification procedures. The authority should test whether information is timely, whether service deductions are applied consistently and whether corrective actions are completed. A public summary should explain results and limitations without disclosing legitimately protected business information.

During months thirteen to twenty-four, expansion should depend on an evaluation of the pilots. Useful evaluation measures include reporting completeness, verified service quality, time required to resolve issues and predictability of public payments. Observed changes should not automatically be attributed to the reform: project maturity, sector conditions and macroeconomic developments may also influence outcomes. Where feasible, comparison with similar non-pilot projects would strengthen the assessment.

The principal recommendation is to establish a continuous accountability mechanism from project selection to asset handback. Cooperation becomes more credible when decision rights are explicit, risks are priced transparently, service obligations are independently verified and amendments are controlled. For Uzbekistan, the scale of the reported portfolio strengthens the case for integrating contract management with medium-term budgeting. The proposed measures are intended to improve coordination and prevent avoidable exposure; their actual economic effects require evaluation after implementation.

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