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PROSPECTS FOR USING PUBLIC-PRIVATE PARTNERSHIP MECHANISMS IN FINANCING TELECOMMUNICATIONS INFRASTRUCTURE

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In today’s economy, telecommunications infrastructure is no longer the material foundation of a single industry but a general economic backbone that ensures the uninterrupted operation of digital services, electronic public administration, distance learning, digital commerce, financial technologies, and information exchange. Accordingly, the task of expanding and renewing this infrastructure has moved beyond a purely technical concern and is becoming a strategic direction that requires financial cooperation between the state and the private sector.

However, building telecommunications infrastructure or modernizing existing capacities is not always attractive to private investors. This is particularly true in sparsely populated regions, in segments where revenue is slow to materialize, in backbone data-transmission networks, or in facilities of high social significance but relatively low commercial returns — areas in which the market alone shows little interest in investing sufficiently. The state, in turn, may face fiscal constraints in implementing such projects entirely from budget resources. It is precisely here that public-private partnership (PPP) emerges as a financial and organizational solution.

The essence of public-private partnership is that the state defines the strategic objective, creates the legal and institutional environment, and, where necessary, mitigates certain project risks, while the private sector contributes capital, technology, managerial expertise, and operational efficiency. Therefore, in the



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telecommunications sector, PPP should be regarded not merely as a tool for attracting additional funds but as a mechanism for organizing infrastructure development in a way that harmonizes market and state interests.

In assessing the prospects of PPP in telecommunications infrastructure, it is first essential to identify in which segments it can genuinely be effective. Applying this mechanism uniformly across all areas of the sector is not appropriate. PPP delivers the greatest impact, above all, in directions that the market is not inclined to address on its own but that are of strategic importance to the state.

First, this concerns the development of broadband internet networks in rural and remote areas. In such areas, the cost of building infrastructure is high, the number of subscribers is relatively small, and revenue is slow to materialize. As a result, such projects offer limited commercial appeal to private investors. Yet, from the state's perspective, these facilities are crucial for ensuring digital equality, narrowing regional disparities, and broadening access to social services. PPP is therefore one of the most appropriate forms in precisely these regions.

Second, PPP is promising in the expansion of backbone and inter-regional data-transmission networks. Such projects require large initial investments, but their returns do not appear over a short horizon. If the state assumes the entire investment, the budgetary burden may rise. If the private sector is left to face the full risk alone, investment decisions may be delayed or never taken. Therefore, in backbone infrastructure, it is logical for the state to provide legal guarantees, land plots, tax incentives, or selected financial support measures, while construction and management are carried out by the private sector.

Third, PPP can yield high efficiency in towers, passive infrastructure, and shared facilities that can be used by several operators. In such cases, having each operator build the same facility separately is economically inefficient. The state supports the shared-use system through regulation, while the private partner



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builds the infrastructure and organizes its effective use. This reduces investment duplication, lowers costs, and creates a more favorable environment for competition.

Furthermore, the prospects for PPP in the telecommunications sector are determined not by its formal existence but by the substance of the contract and the way risks are distributed. In practice, the principal problem in PPP often lies not in a shortage of funds but in how risk is allocated and how obligations are defined.

A key principle here is that each risk should be assigned to the party best able to manage it. For example, risks related to construction quality, schedule, and technical solutions can largely be assigned to the private partner. However, transferring risks related to demand formation, territorial coverage obligations, tariff policy, or legal change entirely to the private sector is not always justified. In particular, in projects where the state itself requires expanded social coverage, unilaterally placing market risk and political risk on the private investor renders the partnership ineffective.

From this standpoint, the prospects for PPP in telecommunications depend on three conditions. First, financial and organizational responsibility between the state and the private sector must be clearly delineated. Second, the contract must precisely define service quality, coverage levels, investment obligations, and oversight mechanisms. Third, the rules governing access to the infrastructure must not restrict competition but, on the contrary, foster it.

Table 1 below presents the author's framework illustrating the prospects for applying PPP in telecommunications infrastructure.



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Table 1 Prospective directions for applying public-private partnerships in telecommunications infrastructure¹

Infrastructure direction	Purpose of state participation	Main task of the private partner	Expected outcome
Development of internet networks in rural and remote areas	Ensuring territorial coverage and reducing the digital divide	Building the network, providing technical maintenance, ensuring service quality	Expanded access to digital services for the population
Backbone data-transmission networks	Creating long-term strategic infrastructure	Efficient organization of construction and operation	Mobilization of large-scale investment and increased network capacity
Towers and other shared passive infrastructure	Reducing duplicative investment and supporting shared use	Building the infrastructure and serving multiple operators	Lower costs and broader scope for competition
Connection of public institutions and social facilities	Digitalization of social services	Provision of technical solutions and service delivery	Improved quality and responsiveness of public services
Commercially developed urban segments	Primarily regulation and oversight	Independent investment in a competitive environment	Limited state intervention

As the table shows, public-private partnership is most promising in directions where the market does not invest sufficiently but which are of high importance to

¹Compiled by the author.



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the national economy and society. This means that PPP should be assessed not as a universal and obligatory model, but as a selective, purpose-driven mechanism. Another important advantage of PPP in the telecommunications sector is that it allows the state to develop the network without taking on the full investment burden. The success of this mechanism, however, is determined not by how many concessions the state grants to the private partner but by how sound an institutional environment is created. If regulation is weak, the contract is vague, oversight mechanisms do not function, or fair access rules are not in place, PPP may produce not new and effective infrastructure but new financial problems. In summary, the analysis above allows the following specific conclusions to be drawn.

First, in telecommunications infrastructure, PPP is not an alternative to the market economy but a complementary mechanism that ensures development in areas where the market does not invest sufficiently.

Second, the highest prospects for PPP appear in such areas as internet networks in rural and remote regions, backbone data-transmission infrastructure, tower management, and shared passive infrastructure.

Third, the effectiveness of partnership in telecommunications is determined not by the volume of funds, but by the proper allocation of risks, the clarity of service obligations, and the alignment of access rules with competition.

Fourth, the most appropriate future form of PPP in telecommunications may be a long-term service-relationship model in which the state partially mitigates risks, the private sector contributes capital and technology, and the infrastructure provides equal and open access for all market participants.

Hence, the prospects for PPP in financing telecommunications infrastructure depend not on its formal introduction but on the segments in which it is applied,



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the conditions under which it is organized, and the precision with which obligations between the state and the private sector are defined.

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