



**EXISTING PROBLEMS AND WAYS TO OVERCOME THEM IN THE
FINANCIAL SUPPORT OF PRESCHOOL EDUCATION BASED ON
PUBLIC-PRIVATE PARTNERSHIP
(ON THE EXAMPLE OF THE REPUBLIC OF UZBEKISTAN)**

Turdiyeva Yakitjan Khayitbayevna
Tashkent State University of Economics, Uzbekistan

Abstract:

The article examines the features of the formation and functioning of the financial support system for preschool education in the Republic of Uzbekistan under the conditions of the active implementation of public-private partnership (PPP) mechanisms. Based on the analysis of statistical data for 2017–2024, the factors behind the rapid growth in preschool education coverage, as well as systemic imbalances caused by the mismatch between the pace of institutional expansion and the development of financial instruments, are identified. The study substantiates the directions for improving the financial support model, taking into account regional differentiation and the investment-specific characteristics of the sector.

Keywords: Preschool education, financial support model, investment.

Introduction

The development of the preschool education system in Uzbekistan in recent years is often regarded as one of the most successful examples of social policy. There are valid reasons for this: the increase in children's enrollment from approximately 25–27% in 2017 to 74–76% in 2024 indeed appears impressive.

However, a closer examination suggests that this growth has been largely extensive in nature. It has been ensured through the rapid expansion of educational institutions, primarily due to the non-state sector, but has not always been accompanied by the adequate development of financial mechanisms.

It is precisely this contradiction — between the scale of expansion and the quality of the financial base — that becomes the central subject of analysis.



The purpose of the study is to identify the structural problems of financial support for preschool education based on PPP mechanisms and to substantiate directions for overcoming them.

1. Transformation of the Preschool Education System: Quantitative Growth and Structural Shifts

During the period from 2017 to 2024, the preschool education system underwent not merely growth, but a profound transformation.

The number of preschool educational organizations increased more than sevenfold — from approximately 5 thousand to over 38 thousand institutions. The key role was played by the non-state sector, particularly family-based preschool institutions, whose share reached about 75% of the total number.

This means that a transition occurred from a predominantly budget-based model to a mixed system in which the private sector effectively became the main provider of services.

At the same time, a significant increase in the number of enrolled children was observed: from less than 1 million in 2017 to more than 2.3–2.5 million in 2024. Thus, the increase in coverage was accompanied not only by infrastructure expansion but also by the real involvement of the population.

However, already at this stage, the first important issue becomes apparent: the growth rate in the number of institutions significantly outpaces the growth rate of financing. This creates the basis for subsequent imbalances.

2. Economic Logic of PPP in the Preschool Education System

Public-private partnership in this sphere essentially performs two functions:

Fiscal — reducing the burden on the state budget;

Investment — attracting private capital into social infrastructure.

From a theoretical perspective, this corresponds to the concept of mixed financing of public goods, where the state retains a regulatory function while the private sector provides flexibility and rapid expansion of supply.

However, the specific nature of preschool education as a “quasi-public good” results in market mechanisms functioning only partially in this area. Demand is limited by household income levels, while supply is constrained by high initial costs.



Therefore, the effectiveness of PPP in this sector directly depends on the quality of state financial support instruments.

3. Systemic Problems of Financial Support

Mismatch Between the Structure of Costs and Financing Mechanisms

One of the key problems is the gap between the nature of expenditures and the forms of state support.

Financing is largely focused on current expenditures (subsidies per child), whereas the main burden on the private sector is associated with capital investments:

construction and reconstruction of buildings;

purchase of equipment;

compliance with regulatory requirements.

The absence of effective compensation mechanisms for these costs leads to longer project payback periods and reduces investment attractiveness.

Asymmetry in Risk Distribution

The classical PPP model presupposes risk-sharing between the state and the private partner. However, in preschool education practice, risks are concentrated mainly within the private sector.

The main risks include:

investment risks (high initial costs);

demand risks (insufficient occupancy);

tariff risks (limitations on service pricing).

The state, in turn, is limited mainly to a stimulating function without providing a sufficient level of guarantees.

As a result, PPP formally exists, but in practice remains “incomplete” from the standpoint of economic theory.

Regional Differentiation and Uneven Development

The development of preschool education in Uzbekistan has a strongly regional character.

In more developed regions, there is a high concentration of private investment, whereas in less developed territories (including certain districts of the Republic of Karakalpakstan), infrastructure shortages persist.



The reasons include:

low purchasing power of the population;

high logistics and construction costs;

limited investment attractiveness.

As a result, a dual effect emerges:

excess supply in some regions;

chronic shortages in others.

Limited Financial Incentives

Despite the existence of various forms of support (subsidies, benefits, compensations), their overall impact remains insufficient for creating a sustainable investment environment.

The problem lies not so much in the volume of resources as in their structure:

predominance of short-term measures;

absence of long-term financial instruments;

weak linkage between performance and financing.

Risk of Declining Service Quality

The rapid expansion of the network is inevitably accompanied by institutional risks:

shortage of qualified personnel;

weakening of quality control;

differences in service quality levels.

Thus, quantitative growth begins to conflict with the qualitative characteristics of the system.

Directions for Improving the Financial Model

Transition to an Investment-Oriented Support System

To ensure sustainable development, it is necessary to shift the focus from current financing toward investment financing.

This implies:

co-financing of capital expenditures;

use of preferential lending mechanisms;

development of state-guaranteed investment instruments.



Improvement of Risk-Sharing Mechanisms

There is a need to establish a more balanced PPP model that includes:
guarantees of minimum occupancy levels;
compensation mechanisms in cases of revenue shortfalls;
long-term contractual relations.

Introduction of a Differentiated Financial Policy

Taking regional differences into account, it is advisable to:
establish increased subsidies for depressed regions;
provide additional tax incentives;
stimulate investments through special programs.

Institutional Strengthening of the System

Equally important is the development of:
a quality monitoring system;
mechanisms for evaluating financing efficiency;
coordination among state institutions.

Conclusion

The conducted analysis demonstrates that the preschool education system of the Republic of Uzbekistan is currently at the stage of intensive growth driven by the introduction of public-private partnership mechanisms.

At the same time, the achieved quantitative results are accompanied by the accumulation of structural imbalances, primarily in the sphere of financial support.

The key problem lies not in the shortage of resources, but in the mismatch between the nature of the system's development and the financial instruments being used.

In this regard, further development requires a transition toward a more complex and balanced model that takes into account the investment-specific characteristics of the sector, regional disparities, and the necessity of ensuring service quality.

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