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Public-private partnership: issues of financing investment projects

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Nowadays, the issue of implementing large long-term investment projects plays a significant role in the activities of state authorities. But as in many other cases, a large budget deficit arises. a possible solution could be combining the interests of the authorities with business representatives through the implementation of public private partnership methods. After all, the experience of using public private partnerships has shown high efficiency in a different countries around the globe

An important aspect is the fact that public-private partnership is a beneficial interaction and cooperation. It allows authorities to quickly implement large projects that are necessary for large groups of the population. A positive effect for a public partner is to save money at the current time, which means that the money saved can be spent on other important social projects. A positive effect for a private partner is to obtain a stable investment object, which in the future it will be able to operate, maintain, lease. It depends on the terms of the agreement.

Like any other method used by the authorities, public-private partnerships depend on legislative regulation. In case of Russian reality, the law on public private partnership does not describe in detail the process of financing projects, does not describe which guarantees a private partner can receive by entering into interaction [1]. In addition, the concession law remains in force. This leads to investors being wary of entering into public-private partnership due to the lack of a risk sharing mechanism. Legislation restricts the use of various sources of financing. This is due to the fact that the policy of the Russian authorities in the use of finance does not allow attracting sources with a high degree of risk. This reduces the share of attracted resources from various funds and increases the share of direct subsidies from a public partner. In Russia, the main sources of financing are budget funds, bank loans and personal funds of a private partner.

For foreign countries more tools are used to raise funds for public-private partnership projects [2]. For example, in addition to the financial instruments used in Russia, the People's Republic of China, the French Republic and the United Kingdom use insurance funds and social security funds, in addition, France and the United Kingdom make it possible to raise funds from sponsors, including foreign ones.

A greater number of financial instruments with a more developed institutional environment represented by a developed stock market, the presence of special bodies regulating and controlling the implementation of public-private partnership projects, allow the UK and France to use fewer funds. The result of that is an increase of public funds using efficiency. So, public-private partnership projects implemented in Russia are characterized by a high proportion of public funds, which usually about 40% of the total project budget. For projects implemented in France and Britain public-private partnership projects a smaller share of public funds, approximately equal to 10-20% of the total project cost, is usual. Thus, such a proportion allows using funds of private partner in a more effective way without drastic decrease in financial stability. However an excessive reduction [3] of public partner`s share in the project can lead to negative consequences: the experience of PF2, the model of the second private financial initiative used in the UK from 2012 to 2018, shows that the reduction of the state's share in financing projects to 5 % or less, can lead to the bankruptcy of a private partner and the closure of the project, caused by the inability to return borrowed funds [4].

So we can make a conclusion that Russian projects should reduce the share public partner to 10-20% and a respective increase of the share of borrowed money.

Thus, at the moment public-private partnership in Russia is at the stage of early development and has many aspects that are not developed. One such aspect is financing. So, the low quality of legislative framework, lack of description of risk allocation and sources of financing leads to the use of a small number of financing instruments and a high proportion of public funds, which ultimately leads to a decrease in the effectiveness of public-private partnership projects.

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