MOGUĆNOSTI ZA EKONOMSKI RAZVOJ BUGARSKE KROZ JAVNO-PRIVATNO PARTNERSTVO

OPPORTUNITIES FOR ECONOMIC DEVELOPMENT OF BULGARIA THROUGH PUBLIC PRIVATE PARTNERSHIP

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Summary

The paper discusses the development of public-private partnership as necessary and required form of cooperation between public authorities and private sector. The positive and negative aspects of the public-private partnership for the development of Bulgaria will be determined. The analysis will identify the opportunities and threats of public-private partnership development by attracting funds from private partners/investors.

The public-private partnership is one of the financial instruments that successfully ensures investments in the infrastructure, which is publicly-state owned. Financial gap in the state and municipal budgets results in the need to seek alternative forms of country development. The public-private partnership allows the application of innovative methods for structuring and financing investment projects and ensures investments for developing basic infrastructure for providing qualitative public services in the country.

Recently, development of public-private partnership in Europe is stimulated by the accelerated regional development of the common European market. This in turn will result in the need of development of transport, environmental and social infrastructure that meets the growing needs. The combination of these needs with the adopted European Directives in the field of environment and transport will result in necessity of big investments in this basic infrastructure. The possibility for achieving a better value of the invested public funds by using the effectiveness and efficiency of the private sector in providing public services is recognized. On the other hand the applied strict monetary and fiscal policy imposes restrictions on the consolidated budget.

The financing through public-private partnership allows the implementation of overall approach in designing, financing, constructing and operating, emphasizing on the invested from it fund in the whole project cycle.

It has to be mentioned that public-private partnership allows sharing project risks between public and private partners.

Traditional infrastructure financing can be summarized mainly as state obligations for implementing periodic payments to hired contractor during construction phase of the infrastructure project. After the construction works, the state is committed to the operation and maintenance of the built infrastructure. In this type of financing the main burden is on the state, as it takes all risks during the project realization and infrastructure operation. The practice shows that when we have traditional financing the forecasted construction price is frequently exceeded many

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times and making an assessment of the state expenditures on the operation and maintenance of the infrastructure is hardly feasible.

Therefore, the financing through public-private partnership is appropriate form of applying overall approach in designing, building and operating infrastructure project. The value of the invested funds during the whole project cycle is important for the financing of infrastructure project through public-private partnership. This is the reason for the state to compare not the value of the infrastructure construction, but the total expenditures for providing the desired service, in assessing the opportunities for implementing public-private partnership. Another major difference with traditional financing is that when we have public-private partnership the payments of the state are due when the desired service is received in the desired volume and quality, i.e. there are no financial liabilities during the construction phase of the infrastructure.

Very important advantage of the public-private partnership is the possibility of risk allocation between partners. In terms of financing the project, this means that the state can transfer all risks, associated with financing, constructing, maintenance and operation of the infrastructure project, to the private partner and share only the risk for provided service demand.

This type of financing publicly-state owned projects allows using private resources in infrastructure project realization. This results in most cases in following the pre-set budget and timeframes for project construction. The capacity and experience of the private partner, which can be used in infrastructure project realization, are of crucial importance for the financial sustainability and development of the project.

The public-private partnership provides considerable opportunities for development of Bulgaria, to improve its infrastructure and competitiveness.

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