PPP PROJECTS – SOURCES AND SUPPLIERS

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Abstract


This article analyses the problems of Public Private Partnerships (PPP) projects as alternative sources of finance for public services and infrastructure. It concerns itself with the attitude and reactions of suppliers towards PPP projects and their ability to ensure finance. The article also summarises the research projects concerning PPP and draws conclusions based on original analysis and research.

Keywords: PPP projects, source of financing, public procurement and PPP, public contracts, concessions, bank loans, retained earnings, suppliers and small and medium size enterprises, Joint Stock Company

INTRODUCTION

Public Private Partnerships are defined as form of realisation of public infrastructure and public services by utilising alternative of means of financing, using the experience of proven suppliers in the provision of such services (Arrowsmith, S., 2005; Jurčík, R., 2014a). Realization of PPP projects are carried out mostly by establishing a special purpose vehicle. From an institutional point of view it means creating a new legal entity. This entity is most often in the form of a consortium of companies. But in accordance with the Czech legal system, a consortium of companies has no legal persona and is therefore no legal form of business organisation (Dvořák, D., 2009). Members of the consortium are the representatives of public and private sector, but also of the financing bank. It concerns mainly infrastructure projects where primary responsibility for the method of financing has in the main emanated from private partners. Such an entity may have different forms of organisation, but the most important form in the Czech Republic is that of a Joint-Stock Company. This form of business is the best also for private partners of PPP projects, because these are large investment projects extremely demanding in financial terms (European Commission, 2011). Joint Stock Companies in the Czech Republic have the broadest sphere of action in the choice of sources of funding in the financial markets.

Joint Stock Companies may use in particular long term resources for the financing of PPP projects (Feuerstein, A., 2008). This limitation is due to the nature of PPP projects, which require long-term connections for the purpose of project realization. In addition, long term-partnership implies the need for stable long term resources, which would be risky to cover in short term finances (Hartlev, K., Liljenbol, M. W., 2013; Jurčík, R., 2014b).

Long-term sources of financing are divided mostly according to the two fundamental aspects – according to origin, and the ownership relationship (Mareš, D., Šebesta, M., Dvořák, D., 2009). By the combination of these two breakdowns we gain matrix of long term sources of financing investment projects, which is demonstrated in Tab. I. From this matrix of resources comes the consideration for the financing of PPP projects – depreciation, retained earnings, share issues and alternatively mezzanine capital – as representatives of own resources. Foreign resources offer implementation of bank loans, financial leasing and corporate bonds. What are not appropriate financial sources for PPP projects are from retained profit or other reserves, capital funds, supplier credits, notes payable and customer advances. The largest amount that is included is in the category of profit retention, which has the legal implication of being intended only to cover any losses the company. Voluntary reserve fund or other funds from profit (investment fund, development fund) can be used as a source of project financing, but...
essentially it is the resources derived from retained earnings, accumulated for more accounting periods. Retained earnings will be described in a separate chapter. A similar situation occurs in the funding through reserves. Reserves have also legally clear purpose of their creating and drawing, mainly due to their taxation status. Thus, neither class reserves belong in the financial portfolio of PPP projects (Poulten, S. T., 2012; Jurčík, R., 2013a). In connection with the financing of PPP projects are not appropriate financial sources – profit funds, reserves, capital funds, supplier credits, notes payable and customer advances. The largest amount that is included in the category of profit funds has the form of a reserve fund from profit. The legal form of such a fund has a strict purpose use, designed only to cover any losses the company. Voluntary reserve fund or other funds from profit (investment fund, development fund) can be used as a source of project financing, but essentially it is the resources derived from retained earnings, accumulated for more accounting periods.

The retained earnings will be described in a separate chapter. A similar situation occurs in the funding through the reserve. The reserves have also legally clear purpose of creating and drawing, mainly due to the tax exercisability of reserve. Thus, neither reserve does belong to the financial portfolio of PPP projects (Treumer, S. T., 2012; Jurčík, R., 2013b).

Capital funds are the share premium account, gifts and grants. The share premium account is regarded as capital income rather than as a source of financing large projects. Together with the gifts they are therefore unacceptable for the financing of PPP projects. Acceptable and so applied, however, are grants. Grants as a contribution from public funds are excluded this analysis, because it is basically a returnable transfer of the responsibility for financing from the entity of private sector back to a public authority. But an important source of financing investment projects – such as the PPP projects – appears to be those of grants from the European Union.

Functioning only as marginal and practically unused sources of financing for PPP projects are supplier credit, notes payable and customer advances. Supplier credits are caused by delaying payment for the supply for a predetermined period of time. By analogy, so are customer advances – funds given against future delivery. The lack of suppliers and customers willing to provide funds in the form of credit to a business partner hampers the usage of supplier credits and customer advances. Notes payable represent certificate of debt, negotiated individually between two subjects. Resources obtained by this form, therefore, probably do not cover extensive need of resources of PPP projects financing.

In deciding which source to use for project funding the company relies primarily on the aspect of cost (the costs of each type of capital). The effect of this decision has also a general tendency not to spread influence over the control of the company. Based on these simplifying conditions of choice of funding sources there is an established hierarchical procedure for ordering of resources. This of course is only a simplified view of the choice of specific sources of funding.

When choosing the order of resources, the primarily consideration is the use of own internal resources in the form of depreciation and retained earnings. After the limit of these resources has been reached comes eligible foreign external sources such as bank loans, financial leasing or corporate bonds. If none of these resources is sufficient in volume, is chosen one's own external source in the form of share issue. For issue of shares the choice is first preferred shares and ordinary shares after that.

**MATERIALS AND METHODS**

The main difference between PPP projects and classical public contracts is firstly financing by private sector and subsequently repayment by public sector; secondly the higher level of risk; and then the sharing of experience. Financing is analysed in next section (retained earnings, bank loans, financial leasing, corporate bonds and types of shares).

**Retained Earnings**

Application created and retained earnings is for the private partner of a public private partnership natural using of own resources to the development and growth of the company. Use of the private partner earnings to finance the implementation of the project itself is the logical choice. However, having regard to the financial demands of PPP projects it can be judged that retained earnings will be up only complementary component in the portfolio of financing project. In later stages of implementation, however, these may constitute a sufficient source of funding for daily operations. Despite its simplicity of use, the retained earnings have their strengths as well as weaknesses.

The inclusion of retained earnings to finance the PPP project is particularly positive in light of the firm management of private partner, because it is not increasing the number of shareholders or creditors (in the case of external resources,

<table>
<thead>
<tr>
<th>Origin of resources</th>
<th>Ownership of resources</th>
<th>Equity</th>
<th>Foreign</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal</td>
<td>retained earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>depreciation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>profit funds</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External</td>
<td>basic capital</td>
<td>bank loans</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(ordinary and preferred</td>
<td>corporate bonds</td>
<td></td>
</tr>
<tr>
<td></td>
<td>shares)</td>
<td>supplier credits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>capital funds</td>
<td>notes payable</td>
<td></td>
</tr>
<tr>
<td></td>
<td>mezzanine capital</td>
<td>customer advances</td>
<td></td>
</tr>
<tr>
<td></td>
<td>reserve</td>
<td>financial leasing</td>
<td></td>
</tr>
</tbody>
</table>

Source: Kislingerová, 2007
shares increase the number of shareholders and bonds the number of creditors). Retained earnings can be regarded as a resource without secondary responsibilities against the provider of capital, arising from their use. PPP projects can initially seem to investors as high-risk investment mainly due to the long time cycle. The solution to this problem may be retained earnings, which can be used to the financial cover of high risk projects for which the enterprise cannot get funds from external sources. A decision on their use is under the direct competence of a private entity of partnership.

The characteristics of retained earnings allow owned equity increase in the balance sheet of private partner. This causes a decrease in financial risk of company, particularly the risk of carrying debt. At the same time, however, it influences in improving of evaluation the credit reliability of the company. Risk of emergence of financial distress or bankruptcy is also relatively reduced. Due to the fact that there is no need to pay interest and repay principal, there is a positive influence on the future liquidity of the company. In addition, there is no need to pay issue costs or extend control over the activities of the enterprise.

At first glance it may seem that the costs of retained earnings are zero for the company. This misconception is rebutted by the theory of opportunity costs. Retained earnings could be used alternatively for appropriate investments which provide investors a better or less risky return. The disadvantage for the private partner is the fact that even with retained earnings are associated costs of its purchase, comparable to the costs of ordinary shares, free from emission costs. The costs of the generation of retained earnings are relatively higher in comparison with, for example, loan or bonds, because on the retained earnings tax considerations apply. Interest shield have not influence. When deciding on the sources of funding for PPP projects, the instability of retained earnings as a source of finance act a considerable negative factor (the possibility of unexpected reduction in future profits). If we use the retained earnings to finance a PPP project may also incur risk of less pressure on the maximum effectiveness of the project realization. This fact, however, is not proved as generally valid by examination in the practice, and it therefore depends on the management of a private entity of partnership, how it faces to use retained earnings as a source of funding.

**Bank Loans**

Financing activities by the bank loan falls under the category of long term debt, together with, for example, corporate bond financing. These long term financial resources represent debit or also recoverable financing. Loans from banks and other financial institutions have increasingly been used mainly in European countries while in the United States is much more applied corporate bond issues.

In the Czech Republic, the use of bank loans for the implementation of investment projects belongs to the European tradition of recoverable financing. Application to project financing of Public Private Partnership is therefore highly probable. The volume of funds obtained pursuant to a request for bank loan is sufficient for the PPP project even though it reaches lower volume than for example the issue of corporate bonds or shares. The use of bank loans, even though widely applied, has both advantages and disadvantages listed below.

For finance, covering the needs of the PPP project realization, are favourable conditions of the granting and repayment of the loan, which is determined individually according to the needs and situation of private partner. There being no fixed determination or binding purpose of the use of provided funds, the loan can be applied to a wide range of purposes. Interest paid on loans is for private partner of a partnership, a tax-eligible expense (tax interest shield). The speed of granting bank loans enables the private partner in implementation of PPP project more flexibility in capital structure and more prompt reaction to constantly changing market conditions. Bank loans also do not restrict both partners in the management of the project (loan does not establish the possibility of direct control over the activities of the enterprise). The obligatory instalment of interest and annuity is also valuable because it brings to managers transparency of the profitability of a PPP project. The general advantage of bank loan is the possibility to obtain it for less known or smaller size companies, but it is not usually used in the case of private equity in a public private partnership.

In determining the advantageousness of a loan, the comparison is often with corporate bonds. Bank loans may suit companies which are not able to issue corporate bonds and place them on the capital market. Realization of a loan does not require a permit and registration by state authorities. Implementation of the loan agreement does not have to be publicly notified. The loan is not connected with large issue costs. The period of negotiation of the loan is usually shorter than that of a bond issue. Thus, obtaining a loan is for the PPP project administratively and financially less demanding.

In the issue of realization of PPP projects however a bank loan is negatively evaluated due to relatively limited dimension of financial resources, which can be obtained on this basis (compared with, for example corporate bonds). It is also necessary to have a certain amount of one's own funds (creditworthiness of an entity), when we applying for the loan. In addition to this, the private entity of partnership must have also property that it will use for bank loan is suffi  cient for the PPP project even though it reaches lower volume than for example the issue of corporate bonds or shares. The use of bank loans, even though widely applied, has both advantages and disadvantages listed below.
of acquisition being bonds). Liability of repayment of the loan can be negative if the private partner stands on the threshold of profitability (as may occur especially in the initial phase of implementation the PPP project). Interest on bank loan costs more on the interest on bonds. In addition, the banks often impose within terms of protective arrangements, certain restrictive measures in relation to the debtor.

Financial Leasing

The use of financial leasing to finance projects of public private partnership is an interesting option to ensure the conditions needed to implement the project. It is not, of course, sufficient source of funding to cover any financial needs of the project. It represents only a complementary source. Its use may be directed towards the field of construction machinery, needed to implement the infrastructure part of the project. Another use may be on the acquisition of land and property. Last but not least – as a means of the provision of public goods of manufacturing nature – it can be bought also manufacturing machinery and equipment through the form of financial leasing.

The list of possible uses of financial leasing in securing funding for the PPP project is not, of course, complete. At this point it is appropriate to bring a possible benefits and potential problems associated with the use of financial leasing in the PPP projects. Based on these positive and negative characteristics it can be devised and evaluated alternative examples of the use of financial leasing.

Indisputable advantage of financial leasing for a private partner of the PPP project, responsible for securing of financing, is the ability to use assets (similarly like with a loan) without the need to own sufficient capital to purchase investment. This raises the synergistic effect, consisted in the possibility of most efficient use of the latest scientific and technological developments. In some cases, it plays a role as benefits in the form of option of lessee to use the property without the risks associated with its acquisition, or possession (acquisition from abroad, prolonging the period of construction, increase investment costs, payment of taxes associated with possessing, obsolescence of property).

In terms of tax is a positive integration of lease payments (under fulfilment of certain statutory requirements) in the eligible costs, that is, by reducing the tax base (discounted only by the certain proportion of instalments). This is not just a unique advantage for financial leasing. Internal resources and loans, used in the financing of PPP projects, also create a taxable cost in the form of depreciation or interest. But leasing contracts do not contain as many restrictive protective arrangements as are required by the banking system. Programming of lease payments provides a high degree of flexibility, which is for the PPP project particularly important in view of immobility of most arrangements, included in the partnership agreements. In the case of lease production machinery and equipment, the size and frequency of payments can be conformed to start-up curve of the proceeds of production or its seasonality and the lessee pays from funds already generated by the leased assets.

In terms of flexibility the financial lease is advantageous because of time saving when arranging the lease. PPP projects are very time consuming to prepare, and thus this is a positive option of shortening the time waiting for necessary assets. A leasing company due to the size of its business has the ability to acquire the assets and the means to its financing more quickly, and in some cases under more favourable conditions. The speed of the negotiation is also potentiated by the fact that all administrative matters with the supplier of the leased subject, are dealt by the leasing company and this facilitates the administrative difficulties of preparing a PPP project. Moreover, it is also possible to use the consultancy activities of leasing company, which has a wide range of contacts and can therefore more effectively choose between the ranges of different suppliers.

On the disadvantageous side of the use of financial leasing for financing the implementation of PPP projects is primarily the total amount of money (the sum of lease payments), which lessee pays for the leased subject, and which is incomparably higher than in credit or internal financing. Moreover, there is the need to hold a certain proportion of one's own resources needed to cover the increased first instalment (advance payment as an advance on the redemption price). This is connected with the fact that assets are after cessation of the lease almost written off, and in this state pass into the ownership of the lessee. He has lost tax benefit in the form of depreciation of the subject of the lease, which reduces the tax base.

Disadvantage – offered in conjunction with large scale PPP projects – is the limited purpose of use. The restrictive attribute of financial leasing in the case of financing of PPP projects is also a fact that provides the most favourable conditions for small and medium sized enterprises, which have limited – in some way – access to other capital (share issue, issue of bonds, loan), which is not the case of the private partner of the PPP project, which is authorized to funding.

Drafting a partnership agreement between public and private entity is itself a fairly demanding administrative and legal matter. Negatively contributing to it is also the administrative disadvantages of lease financing. A landlord may transfer to the lessee some ownership risk, but paradoxically, it is necessary to obtain his consent with any necessary alterations of assets. A landlord may also limit the use rights of the lessee to the subject of the lease or take it away from a lessee. The high point of restrictive limitations is the inability to terminate a contract by the tenant. Of course, it is also possible that there will be bankruptcy of leasing company, in which case, assets are returned back to the landlord (being used
to settle obligations under the leasing company in bankrupt).

**Corporate Bonds**

The use of corporate bonds in the portfolio of financial resources in public private partnership projects is absolutely normal abroad. In the Czech conditions, however, corporate bonds still have not their place thanks to our still little-developed capital market. Nevertheless corporate bonds can be regarded as completely adequate source of funding for PPP projects. Positive and negative features of corporate bonds in the Czech terms of the realization of PPP project can be found in the following paragraphs of text.

In the framework of the PPP project is it is advantageous that corporate bonds bring to the enterprise of private entity a significant amount of funds which are needed for the implementation of the project really large numbers. These funds allow a large number of creditors, so the risk – associated with obtaining the necessary capital – is sufficiently diversified. Financing through the corporate bonds represents for private partner also greater flexibility in financing. This is *inter alia* because of the issue of bonds does not extend possibility of control over the activities of the enterprise at other shareholders. In consequence of obligation of payment of principal and interests on the bonds it is clarified – the same like with the bank loan – the perspective of managers on the profitability of PPP projects. From property point of view it is a positive that the private entity of partnership does not need to own the assets, which can be used as collateral for the security of acquired capital. The tax aspect brings benefit in the form of tax deductibility of interest (yields) from corporate bonds. This tax interest shield allows the transfer of part of interests in financing. This is *inter alia* because of the issue of bonds does not extend possibility of control over the activities of the enterprise at other shareholders.

When the financing of such large scale project – such as the PPP project – the private partner can get within a certain border of indebtedness, where it is not effective to finance the project through a bank loan. In this case, the alternative possibility is the financing in the form of bond issue. It is financing with similar characteristics as the loan, but bond issue, unlike it, allows lower costs of acquisition of capital due to diversification of risk among a large number of creditors. Indisputable advantage for the PPP project is the fact that successful implementation of an issue and its quality placing represent prestigious step. Thanks to such an issue, it improves the position of the private partner in the eyes of the population and business partners. This works very positively especially in conjunction with natural caution of the community to all new enterprises, which accompany projects of public private partnership.

The other side of the financing of PPP projects through corporate bonds there are particularly high issue costs. It is the aggregate amount, covering the up-front costs (directly associated only with the emission) and costs of the lifetime of corporate bonds (and repayment). Issues of corporate bonds are unfortunately associated with a relatively high amount of fixed costs which have to be incurred even if the issue fails. Due to this a bond issue is only cost effective up to a certain size.

There is also the need to pay interest and repay principal on time and regardless of the operating result of the private partner for the period. Like the bank when providing a loan owners of corporate bonds can dictate certain conditions regarding the credit eligibility of the issuer. Also they can a in a certain way intervene in decision making of the private entity of a partnership. They may, for example, express their views on matters which have an impact on their rights relating to the bond (e.g., sale of company).

**Preferred Shares**

For the use of preferred shares for financing projects of public private partnership, it needs to make the issue on the side of the private partner. The consortium, which is in charge of managing the PPP project and which brings together all interested sides (entity of public administration and the private partner) has no legal standing and is not itself able to obtain any own capital. Issues of preferred shares must be made by the private partner on its own account. Preferred shares can be regarded as adequate resource of funding of PPP projects, because the issue of shares (whether ordinary or preferred) brings the possibility of obtaining large amount of capital. But despite their adequacy in role of funding resource, preferred shares – in the funding of projects of public private partnership – have their strengths and weaknesses.

The advantage of the use of preferred shares in securing the financing of PPP projects is that there is no pressure on the effect on corporate governance, so there is no limitation to the influence of owners of ordinary shares. Thanks to the long duration of PPP projects, it is effective also the relative stability of dividends on preferred shares, even if growing profits (priority shareholders do not participate in the profit). *And the consequences of the failure to pay dividends are generally less severe than the consequences of failing to make interest payments on long-term loans. By the preferred shares it is put lower pretension on the amount of dividends, compared with the ordinary shares. In the context of ensuring the continuity of the PPP project, it is important that with the preferred shares are associated less severe consequences of failure of payout of dividends (eventual possibility of the accumulation of dividends) compared with failure of repayment of interests on long term loans (penalty, realization of the pledge).*

In light of the initial organizational and financial intensity of preparing PPP projects, it is generally inefficient for the high intensity of the input capital needed to cover the issue costs of preferred shares. On the question of tax savings it is disadvantageous
– the use of preferred shares for the realization of PPP projects – due to the impossibility of including dividends as deductible item for tax purposes (the same case is with ordinary shares). This negative element causes an increase in the costs of acquisition of preferred capital in comparison with classical debt (bank loan or bonds). Risk features may be the necessity to pay the agreed (even if relatively stable) dividend by the issuer especially in the case of the declining profitability of PPP project.

Ordinary Shares

Use of ordinary shares to finance the implementation of projects of public-private partnership is offered as the best option. Ordinary shares provide a large volume of capital, which is for the implementation of PPP project needed quite a large number moving in the hundreds million crowns. Private partners – in the role of the issuer of shares provide a large volume of capital, which is partnering is offered as the best option. Ordinary shares – may obtain by this a fully fledged resource for securing funds for implementation of PPP project. However, they must take into account both the advantages and the shortcomings of the issue of ordinary shares which are in relation to PPP projects indicated below.

Due to possible unforeseen events that may occur during the lifetime of the partnership agreement covering the PPP project, the advantage of ordinary shares is the fact that these securities are not connected with the fixed commitment to pay dividends (unlike interests on bonds or loan). If the company pays dividends they have to be serviced to infinity unless bought back in again. Most of the issuing corporation but supports rather the dividend policy of stabilization. But despite this reality it is for the private partner of the PPP project funding through ordinary shares far more flexible in terms of financial planning than the use of securities with a fixed rate of return. From it can be derived also the fact that the financing of PPP project through the ordinary shares is less risky (in terms of unforeseeable future) than in the case of the application e.g. the preferred shares (accumulation of dividends) or debt (the obligation to pay interests).

Private partners in the implementation of the PPP project – far more than in other situations – must try to optimize the level of debt. In the case that they cannot protect this optimal border and exceed the best suitable indebtedness ratio, is for him in issue of obtaining additional capital, beneficial to use the ordinary shares, because it make possible to reduce the average costs of capital (it increases the credit ability and confidence of creditors). The indisputable advantage of ordinary shares is also their good negotiability and better saleability, as compared with, for example, preferred shares or bonds. This is due to the rate of return of ordinary shares that is usually higher than that of the preferred shares and bonds (ordinary shareholders endure considerably higher risk and therefore require a higher return).

For financing the implementation of PPP projects it seems very disadvantageous that the issue of ordinary shares – associated with the public subscription of shares – is very expensive (the issue of ordinary shares is effective only when got a certain volume). A considerable amount of money is needed to be spent during the preparation of the partnership, so further increasing the costs of the preparatory phase. Specificity in the Czech conditions, which places ordinary shares into problematic position in the question of funding of PPP projects are the time-intensity of preparing the issue (moving around 6–9 months) and relatively demanding administrative requirements that are imposed on them. All this in conjunction with the time and financial intensity of preparation partnership penalizes the choice of ordinary shares for the financing of PPP projects.

For private partners which are entering into partnership with the public body, there is another negative, the dilution of voting rights at other shareholders, which is associated with ordinary shares. This increases the possibility of control over management of the company. Intervention of new shareholders could also prevent the implementation of PPP project. Ordinary shares require a significantly higher return for investors because they are riskier – compared to bonds or preferred shares. Higher returns cause another disadvantage of ordinary shares – increasing the costs of acquisition of equity capital (as opposed to preferred capital or debt). The costs of obtaining equity capital are also increasing due to the taxation aspect. Dividends are not deductible item for the purposes of taxation, while interests on loan and bonds can be deducted.

RESULTS

The relationship to the aim of this article was provided through the research with these outputs. The research was provided in private sector with aim to get the most answers. According to Administrative register of economic subjects, Trade register and information from Information system about public contracts were chosen subjects in the field of water sector, building supplier, social services and social and health services where they are realised PPP projects. By mentioned procedure were located 102 subjects who were interested or have a practical experience with PPP projects. At this respondent as contact address was chosen electronic address of respondent.

Short resume: It was get 26 answers which should be use for next evaluation. 26 forms was obtained back what is 21%. On the form they answered 40 respondents what is 33%.
II: List of alternative sources of PPP projects financing

<table>
<thead>
<tr>
<th>Form of resource</th>
<th>Long term resource</th>
<th>Application in the CZ</th>
<th>Application in ppp</th>
<th>Advantageous</th>
<th>Disadvantageous</th>
</tr>
</thead>
<tbody>
<tr>
<td>Depreciation</td>
<td>equity, internal</td>
<td>complementary source</td>
<td>stability</td>
<td>using for restoring of property</td>
<td></td>
</tr>
<tr>
<td>Retained earnings</td>
<td>equity, internal</td>
<td>complementary source</td>
<td>without secondary responsibilities against the provider</td>
<td>instability</td>
<td></td>
</tr>
<tr>
<td>Bank loans</td>
<td>foreign, external</td>
<td>used more than corporate bonds</td>
<td>fully fledged source</td>
<td>individual conditions</td>
<td>limited volume of means</td>
</tr>
<tr>
<td>Financial leasing</td>
<td>foreign, external</td>
<td>complementary source</td>
<td>use of assets without ownership</td>
<td>high total price of assets</td>
<td></td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>foreign, external</td>
<td>more used in other countries (US)</td>
<td>fully fledged source</td>
<td>large volume of means</td>
<td>high emission fixed costs</td>
</tr>
<tr>
<td>Preferred shares</td>
<td>equity, external</td>
<td>almost absent</td>
<td>fully fledged source</td>
<td>no extension of influence to corporate management</td>
<td>high emission costs</td>
</tr>
<tr>
<td>Ordinary shares</td>
<td>equity, external</td>
<td>fully fledged source</td>
<td>no fixed obligation to dividends</td>
<td>time and administrative intensity of emission</td>
<td></td>
</tr>
</tbody>
</table>

Source: Authors

III: Composition of participants

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Subjects participating on research</th>
<th>Size of measure [%]</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number</td>
<td>Portions [%]</td>
</tr>
<tr>
<td>19 and less</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>20–49</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>50–99</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>100–249</td>
<td>7</td>
<td>27</td>
</tr>
<tr>
<td>250–499</td>
<td>6</td>
<td>23</td>
</tr>
<tr>
<td>500 and more</td>
<td>5</td>
<td>19</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>100</td>
</tr>
</tbody>
</table>

Outputs: at private sphere was not surprise to percentage of absence of suppliers in the research. For elimination was given not just application for cooperation, but also promise of anonymity. It was establish more personally contact by telephone call also. Based on this probably was more increase number of participants.

Source: Authors

IV: Advertisement at financing PPP

<table>
<thead>
<tr>
<th>Number of voices [%]</th>
<th>Advertisement at financing of PPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>44</td>
<td>It is relatively new form of cooperation.</td>
</tr>
<tr>
<td>28</td>
<td>It is opportunity to have good advertisement and have new contracts in the form of public contracts</td>
</tr>
<tr>
<td>51</td>
<td>It is not matter if it is public contact or PPP, the decisive is to have profit</td>
</tr>
<tr>
<td>38</td>
<td>SMEs enterprises are more interesting in PPP projects at public services realised by PPP (social and health concessions), higher enterprises are most interesting at building public infrastructures and operation of water infrastructure</td>
</tr>
</tbody>
</table>

Outputs: the main advertisement is possibility to have business opportunity and potential risks during long term period. The most suppliers believe that they can made PPP most effective than public sector.

Source: Authors
CONCLUSION

Project financing of public private partnership is most often in competency of a private entity. Neither of the Czech pilot projects has his private partner selected. In the Czech Republic, therefore, we can the method and sources of funding for PPP projects only derived from theoretical considerations. Based on these theoretical considerations was in the article earmarked from scale of methods of financing a several specific resources, which includes Tab. II. The table shows an outline the specific features, which are typical for certain resources within the application in the Czech Republic. It also includes determining whether it is a full or complementary source for the application to the PPP projects. It is also outlined the main advantage and disadvantage of applying of appropriate financing source – when using for the realization of the PPP project.

From research we can discuss the possibility of financing of PPP projects by the private sector which is interested in the financing of PPP projects. In relation to social, health and water management concessions is the private sector able to finance or to share risk resulting from long term contracts (typically PPP projects)? In infrastructure projects we can see that banks have more confidence in the public sector than private sector and for this reason the most effective present route to finance public infrastructure is not by PPP projects but from state obligations which cover state budget deficits.

REFERENCES


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