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Prospects for Ensuring Competition in the Project Finance Market

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Abstract: This article discusses the possibility of ensuring competition in the market of project financing, lending to investment projects, the lender partially or fully assumes the risks associated with the implementation of this project. While the main focus of project financing should be on studying the creditworthiness of the debtor, assessing its financial and economic condition, stability, as well as property used as collateral, the main focus should be on project analysis. Project financing is a combination of several banking resources for financing large investment projects and the distribution of risks between project participants, as well as the prospects for ensuring competition in the financing market, is widely covered.

Keywords: Project financing, investments, competition, credit, risk, parallel design, resource, fund, and contract.

INTRODUCTION

Project financing is the process of issuing, evaluating and monitoring a loan by a bank, in which the loan is directed to the construction, reconstruction or technical re-equipment of production and service facilities for their normal functioning, including the purchase of equipment or the creation of fixed assets, as well as the acquisition of working capital.

The Russian academic economist I.V. Mazur's book “project management“ defines: "Project financing is the provision of financial resources in the form of a loan for the purpose of implementing investment projects.” It says here that a loan can be without recourse, limited or complete regression in relation to the borrower. d.In Morozov's works, the idea is put forward that “project financing is lending to a project in various forms, in which the income from the project is the security for repayment of loans.

Financing on the basis of long-term contracts for the purchase of products produced in exchange for projects

In addition, D. Gazibekov works note that the source of reimbursement of borrowed funds invested in the project is the income received after the launch of the project. In a market economy, project financing of investments is one of the most progressive modern forms of financing. So, what is the content of project financing? How to define it? For example, employees of the Structural finance Department of Deutsche Bank (Germany)It is believed that project financing is financing the acquisition, creation or construction of fixed assets for a project, in which the lender mainly pays attention to: to the net cash flow (refund rate) received as a result of the project implementation as a source of loan repayment;

Dr.Borut Likar, «Innovation Management», Koron plusd.-Institute for Innovat ion and Technology,2018-p.15

DISCUSSION

The content of project financing in the instructions of the National Bank for Foreign Economic Activity of the Republic of Uzbekistan is explained as follows: "project financing is the process of issuing, evaluating and monitoring a loan by the bank, in which a loan is provided for the construction, repair or technical re-equipment of production and service facilities, including the purchase of equipment for normal operation or is directed to the creation of fixed assets and the purchase of working capital capital."

Project financing is targeted lending for the implementation of large investment projects without recourse or with limited recourse to the borrower, in which funds accumulated during investment activities (including assets related to the investment project) are taken into account as collateral for the borrower's payment obligations.

In project financing, the source of loan repayment is the income (profit) received as a result of the project implementation. On the other hand, in the case of a commercial or investment loan, the source of repayment of the loan may be the income received by the borrower from his general activities. The main source of repayment of the loan is the net profit and cash flows from the implementation of the project.The additional income received from the implementation of the project is the main source of repayment of the loan. If additional income is not received through the implementation of the project or the economy is not achieved through the modernization of production under the project, such financing cannot be called project financing, it is financing carried out on the basis of a business plan.With project financing, there will not be one specific net offer. But this does not mean that loan collateral is not required for project financing. The absence of a specific collateral in project financing does not allow projects to attract large amounts of money to obtain the necessary guarantees or collateral.

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2 Млоток Е. Принципы маркетингового исследования конкуренции на рынке // Интернет. - http://www.marketing.spb.ru/read/m3/index.htm

LITERATURE ANALYSIS AND METHODS

- Project financing has many features of investment projects, the main of which will be:
- the multiplicity of project participants;
- all types of risks (systemic and unsystematic) are most common;
- and the need for capital-such projects have a very high demand for financing, for which mixed financing methods are used;
- and the need for labor for design and construction will be high;
- and the commissioning period is given 5-7 years or more;
- A. allocation of sites for the launch of the project and, consequently, the inclusion of additional costs for the purpose of infrastructure development;
- And the impact on the economic and social condition of the state or region.
- and a prerequisite will be a complete analysis of the socio-economic condition of the region in which the project is being implemented;
- and the phases of the project will have to be developed independently;
- implementation of constant updates during the development of the plan;
- It will also be necessary to plan operational AA plans to manage the likely losses and risks during the project phases;
- a continuous monitoring of all project plans;

- It should be borne in mind that large projects are not repeated.
- As shown in the above factors, a large number of risks creates a number of difficulties in the implementation of large projects. Another of the main reasons for the high risk is the large number of project participants.

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4 Paul Trott «Innovation Management and New Product Development», 2018 p. 50-59

ANALYSIS AND RESULTS

- The implementation of project financing is based on specific principles and consists of:
- participation in the investment project of reliable partners who are ready to implement the project;
- feasibility study of the project and development of design estimates at a high level of requirements;
- sufficient capitalization of the project;
- detailed study of the construction, installation and operational criteria of the project (transport, production, marketing, etc.);
- Assessment of the risk of the project and its distribution among the project participants;
- The reasonable availability of collateral or other security.

The above-mentioned principles of project financing will have an impact on the following two types of financial schemes for its implementation:

1. Parallel financing;
2. Phased financing;

In practice, the first type of financing is also called "co-financing", in which several credit institutions allocate borrowed funds for the implementation of high-value investment projects. However, phased financing requires the participation of a bank with a high reputation. Parallel financing has the following advantages, namely: the parallel form of financing project financing allows banks to provide loans in accordance with the norms, on the one hand, and reduces credit risks, on the other. In many cases, the participation of a commercial bank or international financial institutions with a reputation as initiators of project financing provides an additional guarantee of timely repayment of the loan by the debtor. The appendices to the loan agreement state that if the debtor does not fulfill the payment obligation to any creditor involved in financing, the main creditor will be entitled to early repayment of the loan.

Are there the following types (forms) of joint (co-financing) of investment projects?, that is, two forms of joint financing are often used:

- Independent parallel financing, in which each bank enters into a loan agreement with the borrower and finances its part of the investment project (subproject);
- Majority co-financing, in which all creditors are united into a single syndicate, a single loan agreement is concluded, and the preparation and signing of the loan agreement is carried out by the bank manager. At the next stage, control over the implementation of the loan agreement (in some cases, the implementation of the investment project as a whole), as well as the necessary settlement operations, is carried out by a special agent bank within the syndicate for a certain amount of commission.

CONCLUSIONS AND PROPOSALS

The feature of phased financing of investment projects is mainly the availability of experienced experts in the examination of investment projects in first-class banks with high authority in the banking world, from where a large number of applications for project loans are received.

However, even large banks are not always able to finance these projects due to the fact that they may negatively affect their balance sheet or for other reasons. Therefore, in many cases, these banks can initiate lending to the project. The initiating bank receives a commission for evaluating the effectiveness of the investment project and developing a loan agreement. After issuing a loan, the initiator bank transfers its claim to the debtor under the agreement to another creditor.

When financing a project, it is extremely important to do the following. In other words, the stages of project financing are as follows:

The first stage is the technical analysis of the project. At this stage, it is necessary to answer the following question: is the project being implemented in accordance with its initial estimated costs? In project financing, debtors follow the recommendations of experienced expert engineers (who in most cases are independent consultants who give recommendations on specific issues). The conclusion of such experts can be recommended in the form of a technical report and include the following circumstances: the required amount of investment; the necessary future investments (including unforeseen expenses and unforeseen losses); the required payback time of the project; the break-even point; the cost of electricity, water and other costs; the possibility of training personnel to work on the project; the availability of a market for the project's products.The second stage is economic and financial analysis.In the process of economic and financial analysis of projects, will the project have sufficient profit for timely settlements on all loans received?- it is necessary to get an answer.The basis for determining the economic efficiency of a project is the analysis of net cash flow. Net cash flow includes: initial investments in the equity of the project owners and borrowed funds from creditors; profits received; costs.Analyzes the activities of sponsors, risks and their distribution at the third and fourth stages of project financing. At this stage, creditors study the activities of managers and their image, the correct allocation of risks for project participants.

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