



FOREIGN EXPERIENCE IN FINANCING INVESTMENT PROJECTS AND ITS FEATURES

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ABSTRACT	KEY WORDS
<p>This article analyzes the theoretical foundations of investment project financing and the experience of foreign countries. During the study, the main models of investment project financing were studied - corporate financing, project finance and public-private partnership (PPP) mechanisms. Also, practical experiences were considered on the example of Great Britain, the USA, China and Germany, and their specific features were analyzed. As a result of the analysis, it was determined that risk sharing, the use of long-term financial resources and the development of public-private sector cooperation are of great importance in the effective financing of investment projects. At the end of the article, practical proposals and recommendations for the national economy in this area were developed.</p>	<p>Investment projects, financing, project finance, public-private partnership (PPP), foreign experience, infrastructure projects, risk management, capital market, investment policy, economic development.</p>

Introduction

In today's globalization process, the issue of financing investment projects is recognized as one of the important factors in the economic development of each country. In particular, it is urgent to study the mechanisms of financing investment projects based on foreign experience and adapt them to the conditions of the national economy. Because an effective financing system not only accelerates economic growth, but also serves innovative development, the creation of new jobs and the improvement of infrastructure.

The experience of developed countries shows that various sources are widely used in financing investment projects - the state budget, bank loans, funds from international financial institutions, private investors, and public-private partnership (PPP) mechanisms. These approaches help to increase the efficiency of projects and reduce financial risks.

From this point of view, this article analyzes foreign experience in financing investment projects, its main directions and specific features. In addition, the possibilities and prospects for introducing this experience into the national economy are also considered.

Literature review on the topic

Financing of investment projects is one of the most important areas of modern economic science and practice. In recent years, the complexity of the global financial system, the liberalization of capital flows, and the widespread introduction of public-private partnership (PPP) mechanisms have formed new scientific approaches in this area. Foreign and domestic economists have deeply analyzed various aspects of financing of investment projects - risk management, capital structure, institutional environment, and mechanisms for increasing efficiency.

Brealey, Myers, and Allen (2020) consider decisions on financing investment projects in modern corporate finance theory from the point of view of maximizing the value of the company [1]. According to them, the choice of an effective financing structure directly affects the cost of capital, the level of risk, and the profitability of investment. The balance of long-term financing sources is especially important for large infrastructure projects.

Esty (2017) analyzes the role of the project finance model in the modern economy and emphasizes that this approach creates a safer and more stable mechanism for investors by separating risks at the individual project level [2]. In his opinion, financing through special purpose vehicles (SPVs) contributes to the successful implementation of large infrastructure projects.

Yescombe (2018) studies the relationship between public-private partnerships (PPPs) and project finance and notes that institutional support from the state is an important factor in increasing the sustainability of investment projects [3]. According to him, the PPP mechanism allows attracting the efficiency of the private sector while reducing the burden on the state budget.

Gatti (2019) emphasizes that risk sharing is a key principle in financing investment projects [4]. In his opinion, the correct distribution of risks between lenders, investors and the state is one of the main factors for the success of the project. This approach is especially important in developing countries.

Haas and Wacker (2021) analyze investment projects financed with the participation of international financial institutions (World Bank, IFC, etc.) and show that such institutions play an important role not only as a source of capital, but also as an institution that reduces risks and increases confidence [5].

Uzbek economists A. Vakhobov and N. Khodiev (2020) emphasize the important role of state policy in improving the investment climate [6]. In their opinion, institutional reforms, tax incentives, and a favorable business environment in financing investment projects are among the main factors in attracting foreign capital.

Also, Sh. Shodmonov (2019) argues that investments are the main driver of economic growth and notes that the efficiency of the financing system directly affects economic stability [7]. He emphasizes the need for proper allocation of investment resources and strengthening the role of the banking system.

Another local economist, T. Tokhtayev (2021), justifies the need to improve the credit risk management system in financing investment projects through bank loans [8]. In his opinion, commercial banks should use a risk management system that meets international standards when assessing investment projects.

The analysis shows that in modern foreign literature, financing investment projects is mainly covered through effective risk allocation, optimization of the capital structure, and development of institutional mechanisms. PPP and project finance models are widely used as the most effective approaches.

In local economic literature, more emphasis is placed on issues of state policy, the role of the banking system, and improving the investment climate. This shows that in the conditions of Uzbekistan, the active participation of the state in financing investment projects still plays an important role.

Research methodology

In preparing this article, a comparative and critical analysis of the legal documents, the literature and Internet information used, and the scientific and theoretical views of economists on the topic were carried out. In the course of studying the topic, along with general economic methods, systematic analysis, generalization, abstract-logical thinking, and statistical methods were used.

Analysis and discussion of results

Financing of investment projects is theoretically based on three main approaches: corporate financing, project finance (project-based financing) and the public-private partnership (PPP) model. Each of these approaches has different mechanisms for attracting capital, sharing risks and ensuring financial efficiency.

In corporate financing, an investment project is financed depending on the company's overall balance sheet. In this method, the main emphasis is placed on the company's creditworthiness. However, this model is not always effective for large infrastructure projects, since the risks remain entirely with the company.

In the project finance model, the project is considered a separate economic unit and a special purpose vehicle (SPV) is usually created. The main advantage of this model is the distribution of risks between participants and a financing system based on project cash flows.

The PPP model represents a partnership between the public and private sectors. Through this approach, the state uses private capital and management efficiency in the implementation of infrastructure projects.

In the modern economy, the mechanisms for financing investment projects differ significantly depending on the economic model of the countries, the development of financial markets, and government policies. Below, this experience is analyzed in detail using the example of developed and rapidly developing countries.

In the UK, the public-private partnership (PPP) model is widely used in financing investment projects, with the Private Finance Initiative (PFI) program being particularly important. Under this model, the private sector takes on the tasks of financing, building and managing projects, while the state pays for services over a long period. As a result, the burden on the state budget is reduced and infrastructure projects are implemented more quickly. At the same time, the high cost of long-term contracts and, in some cases, transparency problems are noted as the main disadvantages of this model [9].

In the US experience, capital markets, especially the bond market, play an important role in financing investment projects. Large amounts of funds are raised for infrastructure projects through municipal bonds issued by local authorities. This model is encouraged by tax incentives for investors and creates a source of long-term, relatively cheap financing. As a result, private capital is widely attracted and financial markets develop. However, for this system to function effectively, a developed financial infrastructure and a high level of institutional trust are required [10].

In China, financing of investment projects is mainly carried out under state leadership. In this model, large-scale infrastructure and industrial projects are formed on the basis of state programs and financed through state banks. As a result, large-scale and rapid development is ensured in the transport, energy and industrial sectors. At the same time, this model also has problems such as an increase in debt burden and low economic efficiency in some projects. In addition, the participation of the private sector remains relatively limited [11].

In the German experience, financing of investment projects is carried out through the banking system, and development banks play an important role in this. In particular, institutions such as KfW (Kreditanstalt für Wiederaufbau) support infrastructure and industrial projects by providing long-term and low-interest loans. The main advantage of this model is financial stability and a relatively low level of risks. The German experience shows that a strong banking system and an effective institutional environment allow for the sustainable financing of investment projects [12].

In general, foreign experience shows that there is no single universal model for financing investment projects. Each country chooses a suitable model based on its economic conditions. At the same time, as the most effective approach, it is important to harmonize different models, that is, to develop cooperation between the state, the private sector and financial institutions.

The foreign experience reviewed above shows that the mechanisms for financing investment projects in different countries have their own characteristics, which are closely related to the economic system, the development of financial markets and state policy. A thorough analysis of the advantages and disadvantages of each model allows us to compare them and identify the most optimal approaches.

In this regard, the table below systematically compares the main models of financing investment projects based on their key aspects.

Table 1 Comparative Analysis of Investment Project Financing Models [13]

Model	Advantages	Disadvantages	Area of Application
Corporate Financing	Simple structure, quick decision-making	High risk borne by the company	Small and medium-sized projects
Project Finance	Risk sharing, independent project entity	Complex structure, high costs	Large infrastructure projects
Public-Private Partnership (PPP)	Efficient public-private cooperation	Legal complexity, long-term obligations	Social and infrastructure projects

As can be seen from the table above, each of the models used in financing investment projects has its own advantages and limitations. In particular, the corporate financing model is characterized by its simplicity and speed, but all risks are borne by the company. Therefore, this model is mainly suitable for small and medium-sized projects.

The project finance model is important because it allows you to distribute risks between project participants. This model is widely used in large infrastructure projects, reducing risks for investors. However, its complex organizational structure and high transaction costs can create problems in some cases.

The public-private partnership (PPP) model, on the other hand, provides effective cooperation between the state and the private sector, serving as an important tool in the implementation of large social and infrastructure projects. This model reduces the burden on the state budget and attracts innovative approaches from the private sector. At the same time, the complexity of legal regulation and the presence of long-term obligations in this model should be taken into account.

In general, the analysis of the table shows that in order to achieve the most effective result in financing investment projects, it is important to combine the advantages of different models, that is, to apply an integrated approach.

Table 2 International Experience in Investment Project Financing [13]

Country	Main Model	Source of Financing	Key Feature
United Kingdom	PPP (PFI)	Private sector	Reduces government budget burden
USA	Market-based model	Municipal bonds	Developed capital markets
China	State-led model	State-owned banks	Rapid infrastructure development
Germany	Bank-based model	Development banks (e.g., KfW)	Stable and low-risk financing

The data presented in Table 2 demonstrate that different countries apply distinct approaches to financing investment projects depending on their economic structure and financial system development.

In the United Kingdom, the dominance of the PPP model, particularly through the PFI mechanism, highlights the active involvement of the private sector in delivering public infrastructure. This approach allows the government to reduce immediate fiscal pressure while ensuring the implementation of large-scale projects. However, long-term contractual obligations may increase total project costs over time. In the United States, the reliance on municipal bonds reflects the high level of development of financial markets. This model enables local governments to raise significant funds from private investors while offering tax incentives, making it an efficient and sustainable financing tool. Its effectiveness, however, depends on strong institutional frameworks and investor confidence.

China’s state-led model is characterized by the central role of government institutions and state-owned banks. This system allows for rapid mobilization of financial resources and large-scale infrastructure expansion. Nevertheless, it may lead to increasing debt levels and inefficiencies in resource allocation if not properly managed.

Germany follows a bank-based financing model, where development banks such as KfW provide long-term, low-interest funding. This ensures financial stability and supports both infrastructure and small-to-medium-sized enterprises. The model is considered reliable and less risky due to strong institutional backing.

Overall, the table indicates that there is no single universal model for financing investment projects. Instead, countries tend to adopt hybrid approaches that combine elements of different systems to achieve optimal results.

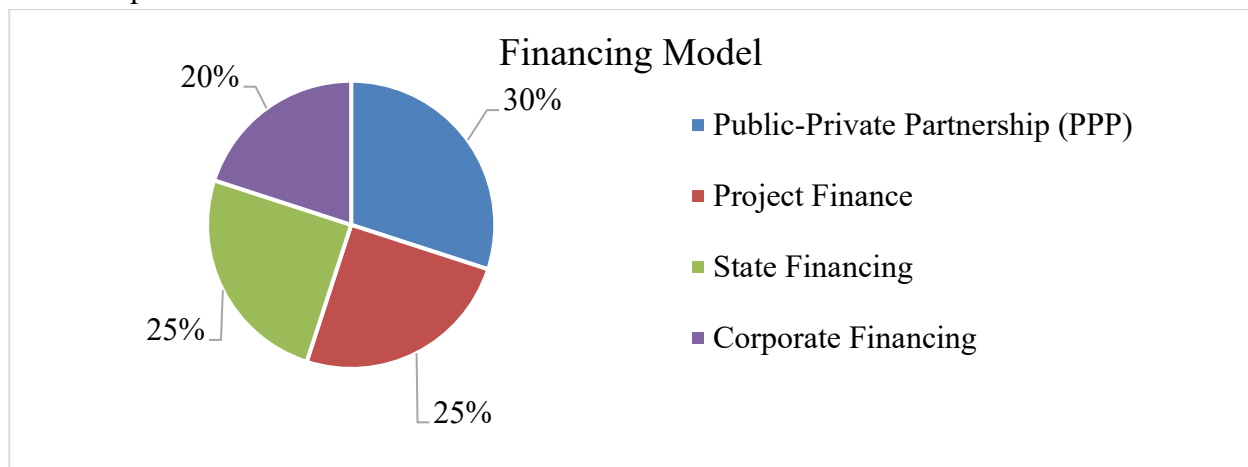


Figure 1. Global Distribution of Investment Project Financing Models [13]

This table shows the main models used in financing investment projects and their share globally. As can be seen from the data, the Public-Private Partnership (PPP) model has the largest share with 30 percent, which indicates that public-private partnership is becoming increasingly important in modern infrastructure and large-scale projects.

Also, the Project Finance and State Financing models are in second place with a share of 25 percent each. This indicates that both private financial mechanisms and direct support from the state play an important role in large projects.

The lowest share belongs to Corporate Financing, which is 20 percent. This model represents investments made more often from the own funds of large corporations.

In general, the table shows the dominance of partnership-based models such as PPP and project finance in financing investment projects, while state and corporate financing have a relatively smaller share.

International experience shows that the combination of different sources and models is important in financing investment projects. The table below shows the structure of financing investment projects on a global scale based on average shares.

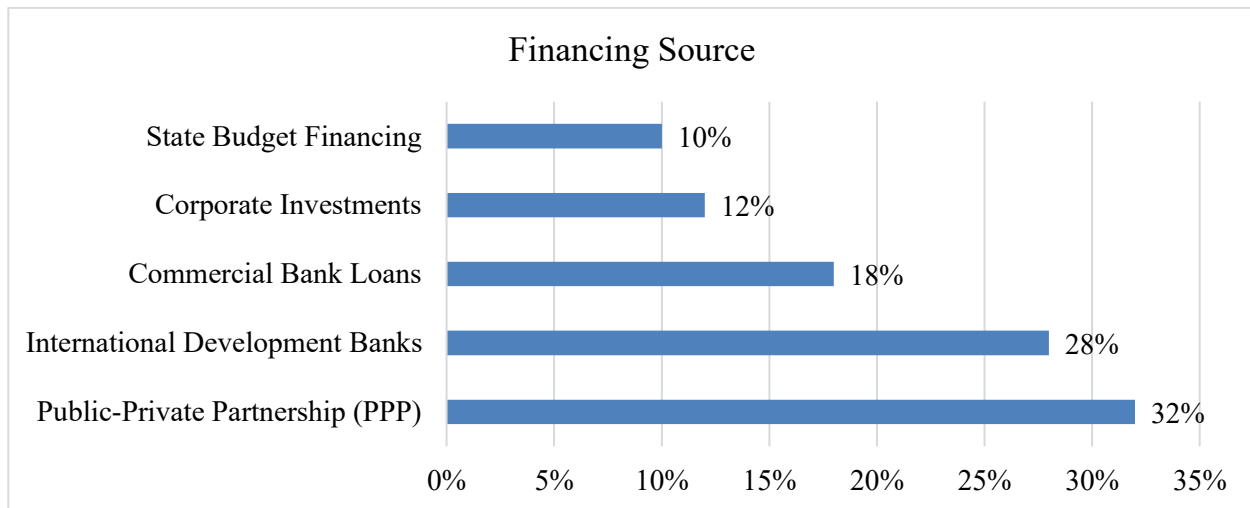


Figure 2. Structure of Financing Investment Projects (International Experience) [13]

As can be seen from the figure, the largest share in financing investment projects falls on the Public-Private Partnership (PPP) model (32 percent). This indicates the strategic importance of cooperation between the state and the private sector in the modern economy. The PPP model is especially widely used in the implementation of large projects in the infrastructure, transport, energy and social sectors. International development banks (28 percent) are in second place. Institutions such as the World Bank, the Asian Development Bank and the European Bank for Reconstruction and Development provide long-term and low-interest financing, contributing to the sustainable implementation of investment projects in developing countries.

Commercial bank loans (18 percent) play an important role mainly in financing medium and small-scale projects, but their participation in large, high-risk projects is relatively limited.

Corporate investments (12 percent) represent domestic investments made by large companies. This source is mainly used in manufacturing, IT and industrial sectors.

The lowest share belongs to the state budget (10 percent), which indicates that in many countries the private sector and mixed financing models prevail in financing investment projects.

In general, the results of the analysis show that mixed financing models prevail in the international practice of financing investment projects. In particular, the PPP model and funds from international development banks have the highest share, which play a key role in ensuring the stability and efficiency of investment processes.

Also, although commercial banks and corporate investments have a relatively lower share, they serve as an important additional financial source that increases the flexibility of project implementation. The low share of the state budget confirms the trend in many countries towards expanding private sector participation and reducing the fiscal burden.

Therefore, the results indicate the importance of a diversified approach to financing investment projects, that is, the need for effective cooperation mechanisms between the state, the private sector and international financial institutions.

The above theoretical approaches and analysis of foreign experience show that the system of financing investment projects is a multifaceted and complex process that requires not only the attraction of financial resources, but also their effective management, optimal risk distribution and the correct formation of the institutional environment. Based on the experience of different countries, it has been established that the effectiveness of financing depends more on its suitability for economic conditions and the thoroughness of the application mechanisms than on the chosen model.

As a result of the analysis, it can be noted that in developed countries, mixed approaches to financing investment projects prevail, that is, cooperation between the state, the private sector and financial institutions is the main factor. At the same time, high economic efficiency can be achieved by rationally using the advantages of each model and minimizing its disadvantages.

Thus, the analysis and discussions conducted once again confirm the need for in-depth study of foreign experience in financing investment projects and its adaptation to national conditions, and serve as an important theoretical and practical basis for drawing scientifically based conclusions in this area.

Conclusion and Suggestions

This article comprehensively studies the theoretical foundations and foreign experience of financing investment projects. The analysis showed that effective financing of investment projects is of great importance in ensuring economic growth, developing infrastructure and supporting innovative activities.

Based on the experience of foreign countries, it was determined that there is no single universal model for financing investment projects. The PPP model in the UK, financing based on capital markets in the USA, the state-led system in China, and approaches based on the banking system in Germany prevail. Each of these models has its own advantages and disadvantages, and their effectiveness directly depends on the level of economic development and institutional environment of the country.

The results of the study also showed that in modern conditions, the most important factors in financing investment projects are effective risk allocation, attraction of long-term financial resources and widespread use of public-private partnership mechanisms. In particular, project finance and PPP models are emerging as one of the most effective tools for implementing large infrastructure projects. Based on the results of the above analysis, the following expanded scientific and practical proposals are put forward to improve the system of financing investment projects:

1. Expanding public-private partnership (PPP) mechanisms. It is necessary to widely introduce public-private partnerships in financing large projects in the infrastructure and social sectors. In this regard, it is important to create favorable conditions for private investors by improving the system of state guarantees, subsidies and benefits. At the same time, it is necessary to develop a transparent tender system in the selection and implementation of PPP projects.

2. Developing project finance instruments. It is necessary to expand the practice of establishing special project companies (SPVs) in financing large investment projects. This will separate the risks associated with the project from the main company and create a safer financial environment for investors. It is also important to introduce financing mechanisms based on project cash flows.

3. Deepening national financial markets. In order to expand sources of long-term financing, it is necessary to develop the bond market, in particular infrastructure bonds. By actively involving institutional investors such as pension funds, insurance companies and investment funds in this process, capital market liquidity can be increased.

4. Improving risk management in the banking system. Commercial banks should introduce risk assessment and monitoring systems in line with international standards when financing investment projects. Credit risks can be reduced by conducting in-depth analysis of project performance, forecasting cash flows, and using stress tests during the lending process.

5. Strengthening cooperation with international financial institutions. Additional financial resources can be attracted to large investment projects by expanding cooperation with institutions such as the World Bank, the Asian Development Bank, and the European Bank for Reconstruction and Development. In addition, using the advanced experience and technical assistance of these institutions will help improve the quality of projects.

6. Improving the legal and institutional framework. It is important to bring the legislation regulating investment activities into line with international standards, protect the rights of investors, and ensure transparency. At the same time, the investment climate can be improved by reducing bureaucratic obstacles and simplifying permit procedures.

The implementation of these proposals will help increase the efficiency of financing investment projects, increase the flow of investments into the economy, and ensure sustainable economic growth.

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