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WAYS AND IMPLEMENTATION MECHANISMS OF PUBLIC-PRIVATE PARTNERSHIP MODELS IN UKRAINE

SPOSOBY I MECHANIZMY REALIZACJI PUBLICZNO-PRYWATNEGO MODELU PARTNERSTWA NA UKRAINIE

Abstract. The article deals with public-private partnerships as advanced and proven international practice form of any cooperation between the state and private business. The necessity of the public-private partnership intensification in Ukraine proposes mechanisms implementing models of the public-private partnership necessary for the economic development.

Streszczenie. Artykuł dotyczy partnerstwa publiczno-prywatnego, jak i sprawdzonej formy zaawansowanej praktyki międzynarodowej we współpracy między państwem a prywatnym biznesem. Konieczna jest intensyfikacja publiczno-prywatnego partnerstwa na Ukrainie poprzez proponowane mechanizmy partnerstwa publiczno-prywatnego niezbędne do rozwoju gospodarczego.

Urgency of an Issue

This problem is important today because of the fact that our present Ukrainian economy needs comprehensive reforms aimed at its self-sufficient development and modernization for its rehabilitation and growth.

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Ways of any theoretical or practical cooperation between the state and business make sense and are effective for the solution of these problems.

A large variety of theoretical approaches allows choosing the most adequate and integrated of them. And therein lies the biggest problem. A piecemeal approach is absolutely prohibited. The practice does not require a simple set of tools and ways, but expects for their selection in accordance with their core and state of the problem in their complementarities having the existing and potential market self-regulation tools and state intervention instruments. Theoretically, we can gradually consider all of them within the market regulation, conditions of socially oriented and mixed economies, under the state regulation, etc. Each of these fundamental refinements is singled out and allows examining all the aspects of problem solving thoroughly and in details, but if they are outside of this scientific abstraction, they are not handled whilst the practice of management requires all the questions answered without any conventions or restrictions.

Consequently, mechanisms and tools of any problem solving need to be investigated for any practical applicability of theories. To identify the business subjects of the execution and their mutual interaction is the most ultimate goal.

**Challenge Problem**

The creation of the new interaction mechanisms between the state and the private enterprise through the public-private partnership is the hard problem of Ukraine’s modern economic development. Both the choice of models and the clarity of implementation mechanisms of the state-private partnership increase the efficiency of the resolution of many social and economic
problems and effectively extricate some risks between the public and the private sectors.

**Analysis of Latest Research and Publications**


Ukrainian scientists: O. Amosha, Y. Vdovenko, V. Dementiev, A. Hrytsenko, V. Sikora, A. Chuhno, R. Pustoviyt, Y. Kuzmin, E. Cherevykov and others were also active in this direction of study.

Issues related to the Ukrainian public-private partnership improving in Ukraine and identifying the factors influencing on the effectiveness of such cooperation between public authorities and entrepreneurs need some scientific evidence and resolve.

**Goal of Research**

It consists in grounding of the public-private partnership surge and its ways significant to develop the Ukrainian economy and in conceiving mechanisms implementing models of public-private partnerships.
Presentation of the Bulk of Material

Reforms aimed at the stable, open and competitive in the global space economy and the formation of the professional and effective governance should finally ensure the welfare of the population of Ukraine [3]. Directions of these tasks can be defined as follows:

1. Pave the ways for the formation of the economic stability and growth through the disinflation, stabilization of public finances and a stable fiscal system development.

2. Establish the most favorable regime for a business support by the minimization of the government intervention into the economy and administrative barriers for its development, tax system modernization and intensification of the international economic integration of Ukraine.

3. Upgrade the infrastructure and basic sectors by the resolution of structural problems established in the energy, coal, oil and gas industries as well as in the housing and public utilities, transport infrastructures and in the land market, the transition from subsidies to the sustainability of the production and social services.

4. Preserve and develop the human and social capital by increasing the efficiency and stability of any social protection, and by improving the quality and availability of education and health care.

5. Improve the public administration efficiency by reforming government services and the executive bodies.

The world leaders in the public-private partnership development are the USA, Britain, France and Germany.

The first experience of the UK public-private partnership was gained in 1981 in connection with the restructuring of London docks
under the new unregulated and market-oriented policies of planning. In 1992 there was established the "Private Finance Initiative» (PFI) in order to develop more effective high quality public services. In 1997 PFI procedures were changed and the new criteria for the government support of the public-private partnerships were developed. Then, there were numerous successful projects dealing with the public-private partnership and additionally it stands to mention the creation of the integrated system for processing of wastes on the Isle of Wight, schools in Bridgeport and Dorset, geriatric homes in Surrey, the construction of the police station in Ilkeston, the north ring of Birmingham and Croydon network of railroads, etc. Almost eighty new partnership agreements are concluded every year in the UK. According to the data of the British government, such projects provide 17% of savings for the budget.

France also has some stable traditions concerning the public-private partnership including the activities of the "Society of the Mixed Economy» (SEM) and granting of concessions. Legislative grounds of SEM were laid in 1966 and in 1983. Distinctive characteristic features of SEM are that both the public sector and a local government have a large share in the assets of SEM according to the legislation, and thus, they can play an important role in its management.

The US government and business cooperation is particularly widespread and encouraged at the municipal level. According to the National Council on the Public-Private Partnership (National Council for Public-Private Partnership), the average US city uses 23 commercial firms in the performance of its activities from 65 basic kinds of the activities carried out by the municipal authorities (water, sewage, garbage collection, school education, use of parking lots for vehicles, etc.).
As to Germany, the idea of the public-private partnership was used many ages ago, particularly, when it comes to the projects of the cooperative construction. The first non-profit construction companies were established on the basis of the private initiatives in the middle of the nineteenth century. Such companies have to place some restrictions on their own business policies and profits in the context of the cooperation between the nonprofit companies and the public sector. The state gives them tax breaks instead of it. The public-private partnership in Germany is particularly important and started from the second half of the 80s of the last century. This process began with large projects of the urban infrastructure recovering and rebuilding in North Rhine-Westphalia, and made the necessary changes in the structural policy as well as it reduced the structural lack of public funding.

Then, development agencies joining public partners (e. g. local authorities) and private actors (landowners, trade associations and others) were established within the framework of new regional structural policies in the early 90s. Such agencies set a goal to restore abandoned land as its top priority [10].

Thus, projects that have been implemented in the public-private partnership can be seen in various industries in the world economy.

To encourage the participation of any private capital in the implementation of unattractive projects, the state provides socially important projects with money (revenues) or quasi money (tax breaks, subsidies) together with its financial contribution [9].

However, the most valuable contribution of the state to the project, in our opinion, is the right to implement such a project – the opportunity to use resources dedicated and guaranteed by the state just for the company implementing the agreed draft of the public-private partnerships and promoting the economic development.
As you can see, the new forms of the Ukrainian modern economy are impossible without the direct government participation in the activities of the economic individual sectors. Today, the main economic functions of the state are to create an environment (political, economic, and legal) for economic operators through the institutional frameworks [4]. Ukraine's economy, as it is now, needs to consolidate the efforts of the government and business conditions in the choice of forms and mechanisms necessary for the public-private partnership.

The main element of the economy should be a system of the partnership cooperation between the state and the private sector as the basis for any modern farming [5]. The public-private partnership shall become a new form of the state regulation of the economy which will promote the development of the market structures and relations to form a truly and socially-oriented market economy in this new strict institutional form.

Partnerships have to become a new form of the market relations grounded on a reasonable liberal concept of the development and their need is explained by:

a) Necessity in the correspondence between the formation of the modern institutions of any private property and processes of the economic development and growth;

b) Need in a better performance and efficiency of the economy grounded on the private property in comparison with entities on the basis of the state ownership and direct government regulation.

Therefore, the public-private partnership is a necessary condition for the development of economic relations transforming
into the real market economic relations and cooperation institutions of the government and private business.

Under these conditions, any public-private partnership will contribute to the resolution of many problems in education, health, municipal services, transport infrastructures, etc. A new institutional structure of the economy, whose purpose is to implement socially important projects, is formed through a public-private partnership.

Public-private partnerships have a wide range of activities – from the development of strategic sectors to public services providing throughout the whole country or separate territories.

The characteristic feature of the public-private partnership should not be based on the administrative or contractual relationships, but on the creation of new models grounded on the sponsorship, management and ownership relations. Relations of the property ownership and redistribution of powers from the administrative and private relations between the government and business to the partnership relations fixed by contracts should be decisive among them. Contract relationships of the public-private partnership transform the areas having been traditionally belonged to the state, but would not lead to the change in the ownership, privatization or redistribution.

Mechanisms of the state-private partnership implementation will change the privatization program and realize the potential of the private entrepreneurial initiative maintaining the control functions of the state in the socially significant sectors [8].

The partnership relationship does not eliminate the state ownership attracting business resources to resolve the state problems. However, any participation of the business in the implementation of PPP projects requires the detailed legal
consolidation of partnerships that will ensure the expected changes in the relationship between the government and business.

There are several definitions of the public-private partnerships in our modern literature. The most common definition is given in foreign media where the public-private partnership means any form of the partnership between the state and business bodies.

The public-private partnership is the institutional and organizational alliance between the government and business with the aim to implement the national and international, large-scale and local, but always socially significant projects in a wide range of areas: from the development of strategic industries and research and engineering design works to the provide public services [1].

The public-private partnership is a system of the cooperation among the private sector, companies, organizations of business and the government agencies, as well as regional corporations, state enterprises and institutions which are aimed at the achievement of the common economic objectives and the solution of the social and economic problems. The public-private partnership in Ukraine is implemented in accordance with the Law of Ukraine No. 2404-VI "On the Public Private Partnership" determining the organizational and legal principles of the interaction between the public and private partners with the basic principles of the public-private partnership on a contractual basis [2].

Thus, the public-private partnership defines the system of relations between the public (the state of Ukraine, Crimea, territorial communities duly presented by the relevant state agencies and local governments) and private (legal entities and individuals – entrepreneurs) partners being built on the principles of partners’ equity and consistency of their interests, and the implementation of which combines the capabilities of both partners. The appropriate
allocations of risks, any responsibility, getting the final result and the possibility of the mutual beneficial cooperation on a long term basis are envisaged.

The Law of Ukraine "On the Public Private Partnership" provides that any public-private partnership is used in the following areas: search, exploration of mineral deposits and their extraction, production, transportation and supply of heat, distribution and supply of natural gas, the construction and operation of highways, roads, railways, engineering, health, waste processing, property management, etc.

According to the law, objects of the public-private partnership are those objects which are in the state or municipal property. They shall involve the existing objects, and created or acquired facilities. Moreover, the existing facilities are not subject to the privatization and they are in the state or municipal property for the duration of the contract concerning the public-private partnership.

The essential characteristics of a public-private partnership are as follows:

1. The public-private partnership satisfies the society needs;
2. Participants of public-private partnerships can be the state and municipal governments, businesses and non-profit organizations (societies, associations, social service organizations);
3. Ownership rights on the state property are not transferred to the private ownership;
4. Public-private partnership participants share the powers, responsibilities, investments, risks and benefits;
5. Public-private partnership may be in the specific form within the scope of the contractual relationships in the case of the institutional and investment agreements.
Public-private partnerships have particular features that differ from other forms of relations between the state and business. They are a long-term partnership agreement (from 5 to 50 years); special forms of the project financing (through the private investments, joint investments by several participants); mandatory competitive environment (when each contract or concession is a struggle between several potential participants); a special form of distribution of responsibilities among the partners (The state establishes the project goals and determines the cost and requirements of the project whilst the private partner assumes the development, sponsorship, construction, operation, management, services implementing to consumers).

The public-private partnerships have the following forms: a contract, rent, lease, concession, product distribution agreement, investment contract, corporatization and share participation of the private capital in the public enterprises (joint ventures) [6]. The practice frequently used combinations of these forms which can be realized in such models as:

– the model of the operator;
– the model of the cooperation;
– the model of the concession;
– the model of leasing;
– the model of the contract.

The choice of any model takes into consideration the goals, objectives and the scope of partnerships. However, some models have their distribution in some areas where they can be the most effective ones.
Thus, the "model of the operator" is characterized by a clear division of responsibilities between the state and the private partner where the state control function is saved.

"The model of the cooperation" is implemented through a joint project of the state company and private investors. The project object is to provide services that are difficult to render to individual objects of the taxation and depreciation charges.

"The model of the concession" is used where the transfer of the ownership from the state to the private partner is legally impossible. This model operates in industries with a long-term project implementation.

"The model of leasing" is the most widely used for the construction of public facilities.

"The model of the contract" is used when the investments are aimed at the redaction of operating costs and the savings are matched with the investment costs [7]. Above all things, the present model is used in the energy sector.

The implementation of such models is carried out by means of the following mechanisms:

- "Construction - management - transfer": this mechanism is most frequently used in concessions. Any infrastructure object is created by the concessionaire who has the right to operate it for a period sufficient to return on the invested funds. Then the object is returned to the state. The concessionaire has the right to use it, but its owner is the state.

- "Building - ownership - management - transfer": according to this mechanism, the private partner receives not only the right to use, but also the right to possess the object of an agreement within the time limit, after which it shall be
transferred to the state. This mechanism can be used in reverse: the government finances and constructs some infrastructure facilities and transfers them into trust to the private partner with the right of the gradual redemption in own property.

- "Building - transfer - management": this mechanism provides any transfer immediately after the end of the construction to the private partner, without the transfer of the ownership rights.

- "Building - ownership - management": any facility created is not transferred to the state but it is stayed at the disposal of the investor at the end of the transaction.

- "Construction - management - maintenance - transfer": it differs by a private partner’s responsibility for the maintenance and current repair of infrastructural facilities built before.

- "Design - construction - ownership - management - transfer": it involves the responsibility of the private partner for the design and construction of any facility.

- "Design - construction - financing - management": this mechanism is focused on the sponsorship clearly conditioned.

Where PPP is implemented, its forms are diverged by the high responsibility that the state or the private sector bear for the operation and maintenance, capital investments and current financing and commercial risks.

Areas where such mechanisms and models of the public-private partnerships shall be used in Ukraine involve:
Vehicle – construction, operation, maintenance, traffic management systems and many other projects in the various transport sectors, including any public transport;

Utilities – services to the population, operation of utilities, street cleaning, garbage removal and utilization;

Ecology – creation, maintenance and development of the urban and suburban parks with the right of exploitation of natural resources and income from the ecotourism organizations;

Real estate – construction, maintenance of public buildings and public housing in exchange for the right to build them and participate in the commercial projects;

Both the public order and safety – maintaining the order in a public transport and places being served by the private companies, organizations and maintenances of the parking lots for vehicles;

Telecommunications – the creation of the telecommunication infrastructure and services provided for consumers;

The financial sector – the involvement of the private insurance companies in the sphere of the compulsory social insurance and the public pension security;

Education – construction and maintenance of schools and other institutions, private companies, getting the right to build and develop the surrounding areas.

Conclusions

Thus, having considered the nature and characteristic features of the public-private partnership in the context of urgent problems of the Ukrainian modern economy, it can be argued that ways to accelerate the public-private partnership involve:
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– A new assessment of the state role which carries out the management functions and production services;
– An objective need to find the constructive solutions concerning the budget unloading by collaborative efforts of the government and business initiatives;
– A constant correction of views on social services and the organization of their implementation requiring the cooperation with the private sector;
– Trends to overcome existing views that private enterprises have economic goals as a priority and do not carry any social and socio-political responsibility;
– Any implementation of the mechanism regulating the transfer of functions from the state to the social level.

Factors influencing on the choice of mechanisms and models of the public-private partnership are as follows:
– An institutional framework of the public-private partnership project support. Detailed conditions of the negotiations with the private investor are required for a successful implementation of PPP projects besides a clear division of powers;
– A stable legal environment and regulatory framework. A stable legislation and its regulatory development should be perceived by the partner as the norm and create basic conditions for the fulfillment of obligations;
– The effective structure of the economy and an equitable distribution of opportunities and risks. The basis for efficient allocation of rights, obligations and responsibilities between the private partner and the state is a clear formulation of goals and objectives.
– Transparent and efficient distribution of public orders. It means the clarity of public orders and creation of the competitive situation for project implementers from the private business and the development of the competitive relations.

– A clear calculation of costs and benefits of the project.

Taking into consideration of these factors will permit to occur the complex of conditions leading to the development of the Ukrainian public-private partnership and its economic growth as well as to accelerate the integration of Ukraine into the European economic space.

References


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