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PROVIDING COMPETITIVE GROWTH OF UKRAINIAN ECONOMY IN A GLOBAL ENVIRONMENT BY USING PUBLIC-PRIVATE PARTNERSHIP

Problem definition. Global competitiveness of the national economy is complicated and dynamic issue. It is transforming and complementing with new elements with time.

One of the most important and relatively constant elements is institutional environment of the country. There are number of authoritative national and global research organizations which confirm this fact. For instance, the Global competitiveness report of World Economic Forum has a well grounded statement, that institutional environment forms a base, that helps entrepreneurs, companies and government to cooperate with each other for getting profit and enrich the economy. That is how it influences essentially on the competitiveness and economic growth.

The quality of institutional environment effects on the way how different societies distribute their advantages and faces failures in realization of strategies and development programs. Besides, it effects on investment decisions and industrial management.

Another research organization that studies the level of country's "prosperity" is The Analytical Center Legatum Institute. It is a part of international investment group Legatum. According to the Legatum Institute methodology, crucial factors of economic progress and competitiveness growth are principles of economy, democratic institutes and principles of public management.

International institute for management development determines four groups of competitiveness factors: economic performance, government efficiency, business environment, and infrastructure. Within the "government efficiency" group the institutional structure index is considering as the most influential. The results of the rankings mentioned above demonstrate extremely low level of institutional environment in Ukraine, and as a consequence low competitiveness.

1. The global competitiveness index by WEF — 89-th rank among 139 countries, quality of institutes — 134-th rank [13].

2. The Legatum Institute ranking — 61-st position from 104 countries, 92-nd — quality of government [15].

3. The international competitiveness index by International institute for management development — 57-th rank from 59 countries [14].

Main reasons of Ukraine's low level of competitiveness concern dissociation of public, state and private interests; predominance of state interests over civil rights; substitution of state interests for interests of political elite; low effectiveness of public institutions; absence of holistic strategy of property rights protection and personal safety guaranties; weakness of public control of state institutions, etc.

Low level of national competitiveness and growth of risks in conditions of global competition, actualize search and analysis of new forms of economic agents cooperation for achieving development objectives and solving vital social problems of the country.

Today, public-private partnership (PPP) all over the world becomes one of the most successful ways of cooperation of government, business and society.

In the process of globalization every country faces the complicity of tasks which should be solved by the government: providing sustainable economic development, finance stabilization, the environment protection, solving of infrastructure problems.

Therefore today it's difficult for international community and for Ukraine as well, to act effectively without understanding of "partnership" concept in a broad sense.

National governments no longer can perform their functions without all the potential and capabilities that private sector has. And private sector cannot develop, work out and introduce new technologies or innovative approaches, if government is irresponsible, do not understand and do not respect the needs of business.

Unfortunately, PPP is a brand new institutional instrument for Ukraine. So far there hasn't been formed clear and generally recognized understanding of its importance.

When the government is forming an economic point of view on how to build an effective partnership between public and private sectors for strategic goals achieving, it is very important to understand clearly the term "PPP" as well as all its components.

The objective of the article is to learn the theoretically-methodological and practical aspects of public-private partnership and find out effective mechanisms of different PPP projects implementation and as a consequence rising of global competitiveness of Ukraine's economy.

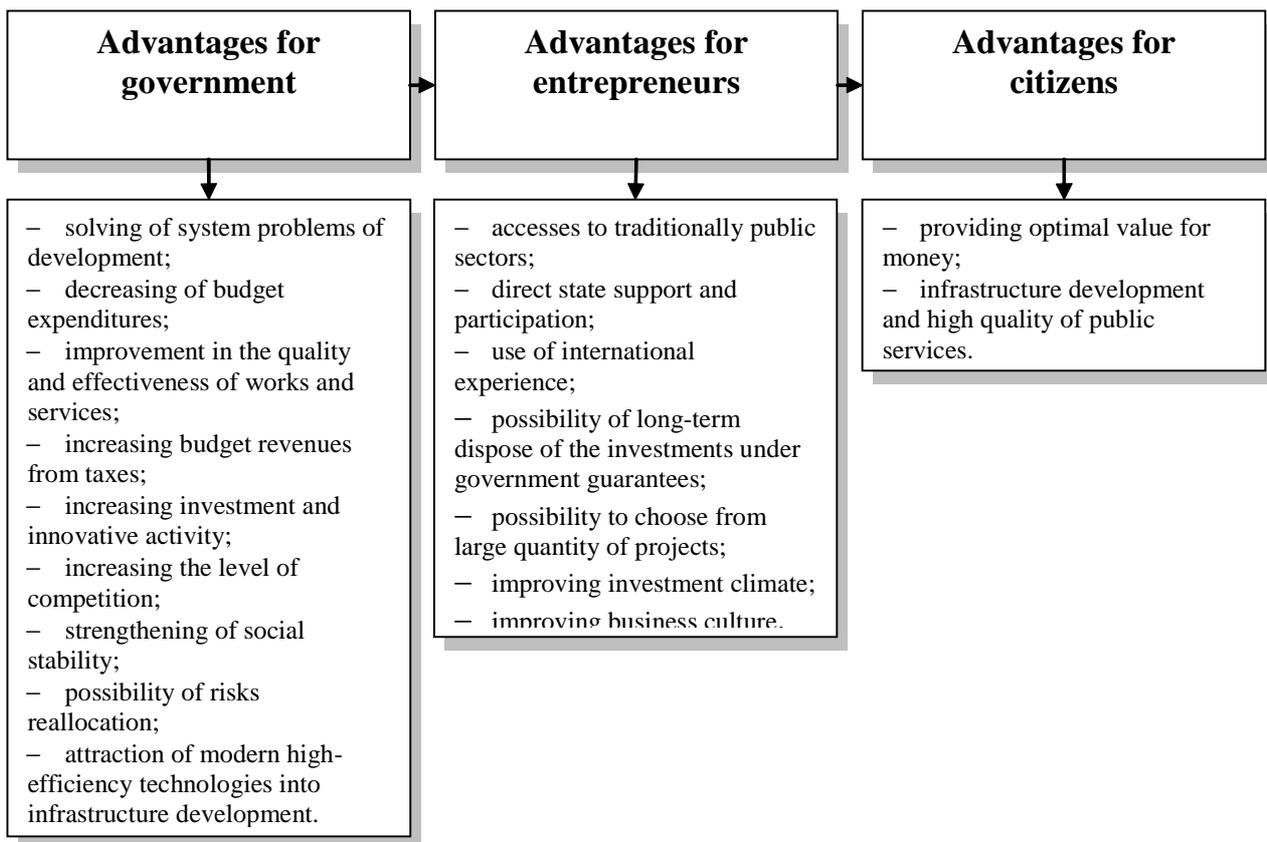


Fig. 1. The system of advantages of use joint PPP projects

Notice: based on data from 2, 3, 8, 9

The analysis of the latest scientific research publications.

Public-private partnership became an object of researches for many foreign scientists, such as: N.A. Khanom, G.A. Hodge, C. Greve, S.P. Osborne, D. Grimsey, M. Lewis, E.R. Yescombe, A. Akintoye, M. Beck, C. Hardcastle, та ін.

National scientists research the problems and perspectives of PPP in Ukraine. For example, such researchers as V. M. Geets, I. V. Zapatrina, V. G. Varnavskiy, E. B. Koroleva, V. N. Mochalnikov, L. I. Efimova, V. A. Miheev, B. E. Mangikova consider PPP as “new technology of economic development” and actively search the different forms of such cooperation.

But the content and economic essence of public-private partnership, the ways of its effective implementation in Ukraine and especially the potential role of PPP in rising of national economy competitiveness are poorly studied, so it is necessary to improve knowledge in this area particularly in the theoretically-methodological aspects.

Conceptual issues of research.

The term “public-private partnership” came to Ukraine from international practice. It is important to note

that there is no classical definition of public-private partnership in scientific literature. Although such form of cooperation arose a long time ago. First mentions of concession agreements as a form of PPP are dated back to 1552 (English Channel construction). Concession was actively developing in XIX-XX centuries [4, p. 18].

Public-private partnership is a complex of procedural and institutional, financial and economic relationships and acts of government (in the name of government bodies) and business entities, which aimed at achieving of common economic policy perspectives.

The main purpose of the PPP projects is attraction of private capital to socially orientated, capital intensive or low-profitable economic sectors. Consequently basic spheres of using PPP are transport infrastructure, water services, electrical systems, informational systems, housing and public utilities, education, health care, penitentiary system, military defense etc. [10, p. 2].

Generally PPP admitted that government invites business to take part in realization of socially meaningful projects, therefore the government is main initiator and guarantor of discharging of commitments.

An attractiveness of PPP projects are based on the system of advantages that different parties of these

processes get from cooperation of business and government (fig. 1).

The fundamental advantage of PPP for private companies is that they get a possibility for investments in areas that foremost belong to government sectors of investments. Therefore the investment abilities of private sector are increased.

At the same time, the government gets qualify effective management and finance of vital social projects.

Therefore, PPP projects improve the quality of services by implementing innovations. Attraction of private sector on competitive bases encourages firms to find out creative solutions in infrastructure, planning, construction and assets management.

The consequence of this is that the projects of PPP give the opportunity to move the risk from taxpayers on private sector.

In dependence on the format of cooperation between government and private sector representatives there are two main forms of public-private partnership.

1. PPP is based on agreement. In this case government and business cooperate with each other under signed agreement.

2. PPP is on institutional bases. Under this form of cooperation an independent legal entity is creating. This entity is establishing by the government and private sector. The main tasks of legal entity are to manage works and services within the certain project [9, p. 17].

There are a lot of different tasks that appear in the process of public-private cooperation and as a result basic forms of partnerships can be divided on detached types or other words — models.

In dependence of objectives of PPP there are organizing, financial models and models of cooperation. Generally, partnerships use forms that are based on the advantages of different models and combination of them.

In the international practice of PPP agreements there are following types:

1. Contracts as an administrative agreement that is signed between government and private company for providing necessary and useful services.

2. Rent in its traditional form (rent contract) and in form of lease.

3. Concession (concession contract) — specific form of relationship between government and business partner that becomes increasingly popular. The particularity of such form is that government (the municipality) keeps its property rights on assets which represent an object of concession contract and delegate competence to private partner to execute of certain functions under this agreement [7, p. 22 — 25]. Concessions are the most developed, prospective and complex form of partnership.

It's typically for concession contracts that there many schemes — BOT, BOOT, ROT, BTO, BOMT, BOO, etc.

BOT (Build, Operate, Transfer) — classical variant of concessions when concessioner is building and operating an object (beneficially owned) at his own expense and risk (sometimes the expenses can be divided between state and concessioner).

ROT (Rehabilitate, Operate, Transfer). This scheme is similar to previous one except of building an object it involves a rehabilitation of already-existing object.

BTO (Build, Transfer, Operate). The main characteristic of this scheme is that right after an object is built the concessioner should hand it to state property. And after that he starts operating for compensation for expenses and receiving of profit according to the contract.

BOOT (Build, Own, Operate, Transfer) and BOO (Build, Own, Operate) — one of the most unpopular concession schemes that are rarely used. In this occasion the concession contract is signed on uncertain term or property rights on object are kept on continuing basis.

BOMT (Build, Operate, Maintain, Transfer) — specific form of concessions that is used in gas pipe building and operating.

DBOOT (Design, Build, Own, Operate, Transfer). Under this kind of contract private partner is responsible not only for infrastructure object building, but also for its design.

DBFO (Design, Build, Finance, Operate) in this occasion it is mentioned that business has a financial responsibility for building infrastructure objects.

Almost all the schemes of concession mean that the government keeps the rights of owning, operating and assets managing (strategic). The exception is “BOO” scheme when the object is in private partner property for uncertain term.

Therefore cooperation between government and private sector has long-term character [2, p. 8 — 12].

4. Production sharing agreement. This form of partnership between government and business is quite similar to traditional concession, but has its specifics.

5. Joint ventures — widespread form of cooperation, which can be established if form of joint stock company or joint companies with share participation.

It should be mentioned that during the past few years the sectors of PPP are widening and forms of partnerships are developing rapidly.

Thus, at first concession contracts were used for building highways, parking, providing municipal heating and now the sectors where PPP project are spread are national defense, education, cable TV, some kinds of

municipal transport. In some countries the private sector builds hospitals, schools and other public objects and then operates them.

As we can see the practice of public-private partnerships is rapidly spreading in many countries and regions. The fundamental reason that enables partnerships establishing is understanding of the fact that private and public sectors have unique characteristics. The mix of these characteristics gives the synergetic effect.

Concerning the role of PPP in increasing the global competitiveness level.

Many researchers and research organizations pay a great attention to competitiveness. The reasons for that are:

— First, the role of international trade is rising. As a result there is an idea that living standards depend on ability to export.

— Secondly, the mobility of capital among countries is also rising.

— Thirdly, there is a big difference between the level of international trade development and economic growth, at the same time the East-Asian countries demonstrate the outperforming development.

— The fourth is that the popularity of different international rankings of competitiveness is increasing.

— And finally, the power of globalization and technological progress have made the competition among national and foreign companies more intensive.

In this environment the basic resource is knowledge that changes the nature of competitive advantage.

Foremost competitiveness is the ability of firms to remain profitable by delivering the products and services that consumers desire. Competitiveness is best understood as a process rather than a onetime event, i.e. it's kind of comparison of the individual firms performance. This means that enterprises become more competitive by constantly being observant of other firms and by persistently striving to do business better. As a consequence some part of firms goes out of market, while others prosper, and new ones emerge.

According to this approach competitiveness is category of micro level. Such definition enables focusing on firms as main generators of growth for market economies. Competition and searching of profit are the most important motivation factors in the market economy. Competition forces companies to use the cheapest ways of production and improve the quality of their products.

In the competition process firms aims to raise the productivity of labor forces, i.e. the effectiveness that transform resources in added value. Productivity increasing is a key aspect of competitiveness. The productivity of labor forces is increasing under conditions of interaction of complementary mechanisms: effectiveness increasing and technological progress.

Therefore country's competitiveness mainly based on competitiveness of business. As a result a question of government role in forming country's competitiveness appears.

The key role of government is to create a well-functioning market economy, which is synonymous with a competitive economy. In the modern context a well-functioning market economy is the result of a partnership between the government and business.

As a matter of fact vital spheres of social and economic life requires system synchronize approach and modern managerial decisions.

Therefore the ultimate goal of partnership is to increase living standards and as a consequence to catch up other countries in the technological and revenue level.

That is why public-private partnership is an effective instrument of achieving sustainable economic development and global competitiveness for every national economy.

Conclusions and perspectives for the future research in this area.

The relevance of PPP and its positive effect on realization of social projects and increasing competitiveness is apparent and doubtless. Many politicians, entrepreneurs, national and foreign experts pay a great attention to this phenomenon.

Many countries that have understood all the advantages of such cooperation were able to reform their economic systems and solve problems effectively and comparatively quickly. As a result they achieved high level of global competitiveness. The experience of these countries gives us a certain indicator of success of such cooperation. Therefore it is a necessity to learn theoretical and methodological aspects of public-private partnership and realization of projects under this format. Nowadays it is an essential condition for creating well-functioning market economy.

There is a great potential for PPP projects in Ukraine. The majority of infrastructure objects are technologically lagged and outworn (roads and railways, sea ports and airports, municipal heating systems, water systems, waste utilization systems, etc.). All those problems require huge financial injections, attraction of new technologies, logistic experience and brand new managerial skills for realization of projects.

The central government and local authorities have not enough money and experience for that. Especially, the situation became worthier in the conditions of financial and economic crisis. So this intensifies research of partnership based on cooperation with business.

In Ukraine the PPP format of cooperation is rare phenomenon. Low investments attractiveness and political instability push away serious investors.

Another reason for low level of using PPP is imperfection of legislation in this area. Also as negative factors should be mentioned — negative attitude of population and local authorities to private investors, absence of criteria that examines the effectiveness of such projects, overestimated expectations for this form of cooperation, uncertainty of government standpoint at budget support of projects in the PPP format.

To change this situation it is needed to improve institutional, regulatory environment, methodological support concerning PPP projects; make an inventory of possessions; implement pilot PPP projects; have a dialogue with consumers; learn the best international practice; stimulate private investors to take part in infrastructure projects.

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Tulku Y. I. Providing Competitive Growth of Ukrainian Economy in a Global Environment by Using Public-Private Partnership

In this article the public-private partnership is considered as an effective model of cooperation. The author represents the basic terms of PPP, its forms and models and analyses the role of such cooperation in global competitiveness performance of national economies.

Key words: public-private partnership, global competitiveness of nations, sustainable economic development.

Тулкун Я. І. Державно-приватне партнерство як чинник підвищення глобальної конкурентоспроможності економіки України

У статті розглянуто основні поняття державно-приватного партнерства, його форм та моделей. Автор аналізує вплив реалізації проектів національного значення у форматі ДПП на рівень глобальної конкурентоспроможності країни.

Ключові слова: державно-приватне партнерство, сталий економічний розвиток, глобальна конкурентоспроможність країни.

Тулкун Я. И. Государственно-частное партнерство как фактор повышения глобальной конкурентоспособности экономики Украины

В статье рассматриваются основные понятия государственно-частного партнерства, его форм и моделей. Автор анализирует роль проектов национальной значимости в формате ГЧП в повышении глобальной конкурентоспособности стран.

Ключевые слова: государственно-частное партнерство, устойчивое экономическое развитие, глобальная конкурентоспособность стран.

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