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WORLD EXPERIENCE OF THE PUBLIC-PRIVATE PARTNERSHIP AND CHALLENGES OF ITS IMPLEMENTING IN UKRAINE

Introduction. The necessity to overcome crisis tendencies in the economy of Ukraine, to provide sustainable development, to upgrade the main industries and create foundations for economic and social growth in cities and regions creates main challenges to find effective mechanisms of collaboration between the government and business. Even the leading countries of the world can't ensure under current conditions the effective operation of strategic sectors of the economy and the realization of socially significant projects due to limited resources and their own finances. Therefore, pooling of resources and actions of the private sector and the government through mechanism of public-private collaboration is an essential step towards solving social and economic problems of social development and improving economic efficiency, becoming an effective tool to attract investment, introduction of innovative technologies, increasing national competitiveness in the global market.

The successful implementation of PPP in developed countries necessitates its positive experience research of these countries and creation recommendations to enhance public-private partnership in Ukraine.

In foreign and domestic literature has recently been given much attention to the problems of formation and development of public-private partnerships. General aspects of cooperation between the state and business were analyzed in the works of foreign scientists as D. North [1] V. Varnavskiy [2] J. Kuzminov [3] and others. Among domestic scholars who studied the separate spheres of contact and coordination of the government and business interests should be called works of Dementieva [4] A. Golovinov [5] and others. However, the question of theoretical study and practical development for the establishment of an effective mechanism of collaboration between business and the government in Ukraine remain relevant.

Purpose. Generalization of the experience of the public-private partnership implementing in the developed countries and development of proposals for the public-private partnership realization in Ukraine.

Method. The Comparative analysis of the practice of the realizing public-private partnership in the UK, France, the USA, the Netherlands.

Results. The formation of the basic concepts of creating partnerships between the public and private

sector in the leading countries of the world goes back to the distant past. Economic and legal rules and regulations, governing the partnership between the public and private sectors, has undergone some transformations during previous economic recessions, depressions, wars, but, in turn, contributed to the preservation and improvement of the basic principles of cooperation between the government and business.

In today's world there are two fundamentally different schemes of institutional changes varied in methodology and depending on the extent to which a significant shift is taking place within the sphere of the government and private sector relation. [6, c. 12].

The first scheme is a structural adaptation of the existing institutional frameworks to changing objectives, priorities and conditions along with the economic activity of the government. The introduction of new principles, norms and rules of cooperation between public and private sectors in existing institutions or occurring in the context of a new economic policy of the government regulation (the United Kingdom, New Zealand, Argentina, other countries of Latin America), or in the context of changes and amendments of the existing system of public administration (the US, Canada, Japan, EU). The developing countries, which market economy development is sufficient to establish partnership between government and business, are on track to introduce public-private partnerships in that way.

The second approach to the implementation of public-private partnership associated with the formation of entirely new institutional framework, which corresponds to the principles of the market economy and provides a new place in the economic life for the country. This scheme is implemented in the former socialist countries, the former Soviet Union, in some developing countries [6, c. 12].

Establishment of special institutions: agencies/departments (in the United States, Britain, the Netherlands), public corporations (Italy, New Zealand), associations/alliances (France) and others was enabled by the changing role of the government in the economy and expansion of partnerships. The undoubted leaders of the implementation of public-private partnership are the United Kingdom, the USA, France, the Netherlands.

UK. The peculiarity of the cooperation between the public and private sector in the UK was establishment of the Private Financing Initiative in 1992. During the Private Finance Initiative activity (hereinafter - PFI) was implemented about 700 projects, total investment of over £50 billion [9].

The main principles of PFI development were the efficient risk allocation and return on investment, good price and quality criteria, and the main form of PFI project implementation was identified – a life-cycle agreement, i.e. the long-term financing contract and operation of the facilities in return for periodic payments from the state budget. Thus, the government covered the cost of maintenance and repair of assets throughout the lifecycle of the project. Capital costs for construction should be carried out by the private sector, which then depreciated over the life of the project.

However, analyzing the experience of implementing projects, the British government concluded that several aspects of PFI does not work effectively and this has led to non-optimal value for money in some projects, including a slow and expensive process of procurement, not enough flexible contracts, lack of transparency future liabilities PFI projects and to obtainment by some investors unexpected gains.

But at the same time some features of PFI had a positive impact: projects were implemented on time and according to the predetermined budget costs, created incentives for the private sector for effective risk management and proper maintenance of assets provided during the implementation of contracts.

In 2011, after a detailed study of the problems of implementation of public-private partnership the UK government established a new approach to the development of public-private partnership called Private Funding 2, which is to raise funds to finance schools, roads, hospitals, water treatment facilities [9]. The main features of which are:

- 1) The government acts as an investor in equity (the purchase of the share in charter capital);
- 2) Diversification of funding sources: research for the long-term and less costly sources of finance (insurance and pension funds, long-term loan funds) compared to bank financing (expensive and short-term);
- 3) Transparency: a number of measures aimed at improving the reporting, including the establishment commitments to publish a report on the financing of the securities market;
- 4) Improved mechanism for risk sharing, risk sharing mechanism to improve by changing insurance and other areas of law;
- 5) Effective price/quality ratio: the government should provide advice to achieve the best price/quality ratio;
- 6) Centralization: reform involves strengthening centralized approach to the selection and implementation of PPP projects.

The United States. The US government and the close cooperation of private business particularly are widespread at the municipal level. There are no federal laws establishing common approaches to the implementation of PPP projects in the US. In the most states the public-private partnership is governed by existing legal acts on an industry basis.

The main institution responsible for the development of PPP in the country is the National Council for PPP (The National Council for Public-Private Partnerships) founded in 2005 [10]. The National Council is a commercial organization in the government. Promoting and fostering public-private partnerships at all levels, it creates conditions for cooperation between the public and private sectors in socially important for the public areas.

The Council has the following objectives:

- 1) provide general information in order to promote PPP approaches;
- 2) promotes data exchange between the government and private sectors in terms of practical implementation of PPP approaches;
- 3) conduct training PPP seminars and workshops;
- 4) provide technical assistance in the preparation and implementation of international PPP projects;
- 5) analyzes the legal framework related to PPP.

In addition, there are a number of other organizations related to the development of PPP in the US [10]: the Federal Highway Administration – in the field of transport infrastructure development, in supporting the international projects - Department of State: Global Partnership Initiative and the Millennium Challenge Corporation (MCC), and a number of regional centers of PPP.

According to the National Council for Public - Private Partnership, from 65 basic activities of authorities (water, garbage collection, schooling and parking so on) mid-size city uses private companies in the performance of 23 activities [10]. It is the only country with a completely private network telecommunications and one of the few countries that does not have state-owned enterprises in the oil, gas and steel industry. In some states in the US private firms manage prisons. National parks and forest parks managed by the relevant civil service now also controlled by private organizations.

In general, according to the National Council for Public-Private Partnership there are from 23 to 65 working municipal services in cooperation with private business in every city. Its participation in such project allows local authorities to save from 20 to 50 budget funds [10].

France. The modern world practice of PPP suggests that French companies are among the leading international firms using in their activities mechanisms of public-private partnership [10]. So, they established and continues to develop one of the two basic models

of the concession that is widely used in the world - the "French model", which is different from the rest of the base model – the Anglo-American - integrated nature of the concession, when the concessionaire both entrusted the development of concession and implementation of measures necessary for the establishment or upgrading infrastructure of objects and their operation. For example, in contrast to the Anglo-American model, where the choice of private partner held three separate tenders as: the design, the construction, the maintenance (or control), in France, by contrast, feature is that there is a tender for all types works or services.

It should be noted that there are no a single law that would unite all forms of PPP in France. Each form is governed by different legal acts and rules of administrative and civil law (for example, French law № 2002-1094, 29th of August 2002, known as LOPSI, allows private sectors to be involved in designing, building, financing and maintaining of objects for the purpose of justice, law enforcement, military and Ministry of defense, also Government decision № 2003-850 of 4th September 2003 allowing the private sector to participate in similar contractual schemes listed above, but also in the healthcare sector).

The Ministry of Finance of France initiated the establishment of a center of France PPP development (Mission d'Appui aux PPP (MAPPP), which was officially opened in May 2005. MAPPP main goal is to contribute to the executive branch (the initiator of PPP projects) in the preparation and implementation of projects PPP throughout France [10].

PPP Center founded as a structural unit of the Ministry of Finance of France has six people. All decisions made by the center and related to the operation of the rules in line with the ministry. MAPPP main functions are as follows: development of methodology for procurement and evaluation of PPP projects; compliance of the draft PPP to legal, financial and quality of requirements, validation and correctness of the present feasibility study of the project; help choosing private consultants; a comprehensive evaluation of the project before final approval of the Ministry of Finance. The center promotes training materials to provide advisory assistance to ministries and agencies in the development of PPP. The center is engaged in the publication of newsletters and participates in various conferences and other events aimed at expanding the scope of PPP and exchange of experience among the participants. But the center does not have the authority to self-realization of PPP projects, does not conduct requirements and any other activities related to the procurement process. In the past few years, the largest number of PPP projects are being implemented in the construction and maintenance of roads and water supply [10].

The Netherlands. For the first time a public-private partnership was applied in the Netherlands in 1980. But as a priority direction of development of the

economy public-private partnership began considered only 1995. Public-private partnership in this country has become an alternative to privatization. However, the government agencies that were responsible for the introduction and promotion of mechanisms for public-private cooperation opposed him. Primarily, this was because most departments of public-private partnership were unclear. Secondly, there were no experts who have had issues of public-private partnerships. Thirdly, government officials were confident that the public-private partnership - the first step to losing performed public functions by them.

The first PPP projects were related to the construction of roads of regional significance and high-speed rail networks of roads. All projects have been successful, as provided services of good quality at a lower price. Given that PPP has been difficult: projects were brand new with the latest schemes that are not repeated from project to project, not enough knowledge and experience in the implementation and evaluation of the success of the project, there was no projects that the government would have an opportunity to study and propose business for investment, the Ministry of Infrastructure and Environment established a special department of public-private partnerships.

Department of Public Private Partnership gives consultation to the Minister on PPP projects and report to Parliament on the progress of the preparation and implementation of projects. It also takes part in projects, especially on financing contracts in the life cycle, in addition, the Department conducts training programs. Before deciding the implementation of a project under the terms of the PPP government and the parliament affirm long-term program of public-private cooperation, designed for 10-15 years. Then the Department of Public Private Partnership evaluates the feasibility of PPP projects. If the PPP projects will be successful the government initiates their implementation. If not, then an appropriate justification is provided by the Department of the Parliament [12]. However, it should be noted that the general criteria for assessing the success of the project in the Netherlands to be developed. Phase of the project are estimated separately for individual criteria. The peculiarity of the public-private partnership in the Netherlands is that the PPP alone absorbed by regional agencies, which see in it an effective tool for sustainable economic development without promoting it by government or private sector. In addition, the Dutch PPP distinguished by standard contracts and procedures, that fast and reliable [12].

The most common model is a PPP contract life cycle, also used concessions, projects of integrated development activities and alliances. The scope of the use of PPPs are generally roads, but also it is used in the construction of educational institutions, museums, hospitals.

Thus, the analysis of PPP in the world shows two main ways of organizing this partnership: First, the public sector and private partners join an existing company or jointly establish a mixed company (generally the government has a greater impact). The main characteristic of this method - association of public and private finance. Second, representatives of the government and business sign contract - this can be a cooperation agreement, agreement on management, implementation of the Treaty, leasing agreement, concession agreement, etc. [12].

The common feature of all the countries surveyed, is that, for the implementation of public-private partnerships at the government level that it was established special centers of public-private partnerships. In different countries they have more or fewer rights regarding decisions on projects and generally administered by the Ministry of Finance. All centers PPP in one form or another involved in business planning, provide assistance to project promoters in addition to financial, technical and other consultants, participate in the process of public procurement, including taking suggestions of signing contracts, making analysis of proposals received, helping bodies of executive authorities concluding the contract.

Ukraine. Today in Ukraine the problem of new business opportunities using PPP mechanisms is becoming increasingly important. Ukraine has a legal basis for the development of PPP since 1999. The laws which have been adopted concerned concessions, the production sharing agreement, the public – private partnerships and other laws regulating the PPP.

In Ukraine the second half of 2013 started with the implementation of 160 projects under public-private partnership (PPP) [13]. They are implemented in different sectors of economic activity: 71 projects regard water supply, 32 – production, transportation and supply of heat, 16 projects – the construction and operation of transport infrastructure (including sea and river ports) are implemented, 9 projects in tourism, recreation, culture and sport, 7 projects aimed at cutting waste and 3 are implemented in the areas of health and energy.

Today the most common form of cooperation between the public and private sectors is a concession – an agreement where the government gives business rights to use any of the object or property. According to these terms now in Ukraine are signed 77 agreements, mainly in the provision of housing services such as water provision (61 contract), production and supply of heat and electricity, provision of services for the collection and removal of debris, providing services in housing maintenance sector. Most contracts of concessions implemented in the ARC (56 contracts) [13].

Another 39 contracts of public-private partnership – joint venture with respect to the objects of state (municipal) property, of which 16 signed by sea trad-

ing ports. In addition, 44 projects are currently being implemented with the use of other forms of PPP, signed 42 leases and 2 – on the equity [13].

To implement the National Action Plan for 2013 to implement the program of economic reforms in 2010-2014 "Prosperous Society, Competitive Economy, Effective State" Economic Development in cooperation with experts from UNDP PPP (USAID) and the author team of the Institute of Economics and Forecasting of Ukraine developed and submitted to the Cabinet of Ministers of Ukraine Concept of Public-Private Partnership in Ukraine in 2013-2018 years [13].

At present, work is underway to identify promising projects and opportunities for attraction of investments under the terms of PPP.

After analyzing the experience of implementing public-private partnerships in developed countries and Ukraine, we can conclude that Ukraine has difficulties in implementing PPP. The main problem is the presence of significant risks of investing in capital-intensive objects denoted in the absence of guarantees of the government due to political instability in the country. Country does not ready for the transfer of certain rights to businesses. Also the problems of PPP should include staffing component. Experts in public administration of Ukraine, capable professionally to make long-term investment contracts are virtually absent. Such experts do not prepare national educational institutions, there are no corresponding methods, programs and courses, in contrast to developed countries, where human potential and methodological developments is the base. In Ukraine the state level agencies that would directly involved in matters of public-private partnerships, ranging from proposals for projects that can be implemented through cooperation between business and government, and ending with the government as a co-owner of such projects, as practiced in Great Britain. Currently, the relevant departments of Ministry of Ukraine is a public-private partnership, but they are both informative agencies by providing information to the public concerning the conditions and the number of projects between government and business.

Given the experience in implementing public-private partnerships in developed countries, Ukraine has the key task is primarily the removal of bureaucratic obstacles to the implementation of PPP development mechanism in the spine availability and attractiveness of PPP municipal level, ensuring a transparent and public art and access to the implementations of AI PPP projects, creating a center of PPP at the national level that would have accumulated experience in implementing PPP projects at the local level, the analysis of positive developments of national scale.

At present, the issue of implementation of PPP in in the country is the most relevant, since allow to solve

a number of problems connected with the funding of strategically important objects in the regions.

Summary. Qualitative and quantitative leap in the development of PPP in these countries began after the establishment of the corresponding institution of enhanced well developed legal framework. Thus, we can conclude that the effective development of PPP in Ukraine in the long term is possible only if the creation of the PPP Center and further development of legislative framework at national and local levels. Practice of PPP implementing in several countries shows that this mechanism is used there where the government and business interests are complementary, but are not able to operate completely independently of each other.

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Оленцевич Н. В., Ковальова О. В. Світовий досвід державно-приватного партнерства і проблеми його використання в Україні

На основі дослідження світової практики здійснення державно-приватного партнерства виявлено особливості становлення національних моделей та окремих форм реалізації державно-приватного партнерства в провідних європейських країнах і США. Систематизовані еволюційні зміни у здійсненні функцій держави та обґрунтовано необхідність побудови системи партнерських відносин у напрямку диверсифікації учасників, забезпеченні прозорості та ефективності реалізованих проєктів. Аргументовано положення про те, що якісний і кількісний стрибок у розвитку державно-приватного партнерства забезпечується шляхом створення необхідних інституційних передумов і форм - спеціальних установ і інституцій для здійснення консультацій, економічної експертизи та сприяння становленню співпраці держави і бізнесу. Виявлено основні проблеми та пріоритетні напрямки здійснення державно-приватного партнерства в Україні в довгостроковій перспективі.

Ключові слова: держава; бізнес; державно-приватне партнерство; зарубіжний досвід; співробітництво; моделі реалізації державно-приватного партнерства.

Оленцевич Н. В., Ковалёва Е. В. Мировой опыт государственного-частного партнерства и проблемы его использования в Украине

На основе исследования мировой практики осуществления государственного-частного партнерства выявлены особенности становления национальных моделей и отдельных форм реализации государственного-частного партнерства в ведущих европейских странах и США. Систематизированы эволюционные изменения в осуществлении функ-

ций государства и обоснована необходимость построения системы партнерских отношений в направлении диверсификации участников, обеспечения прозрачности и эффективности реализуемых проектов. Аргументировано положение о том, что качественный и количественный скачок в развитии государственно-частного партнерства обеспечивается путем создания необходимых институциональных предпосылок и форм - специальных учреждений и институтов для осуществления консультаций, экономической экспертизы и содействия становлению сотрудничества государства и бизнеса. Выявлены основные проблемы и приоритетные направления осуществления государственно-частного партнерства в Украине в долгосрочной перспективе.

Ключевые слова: государство; бизнес; государственно-частное партнерство; зарубежный опыт; сотрудничество; модели реализации государственно-частного партнерства.

Olentsevych N. V., Kovalyova O. V. World Experience of the Public-Private Partnership and Challenges of its Implementing in Ukraine

Introduction. The implementation of the public-private partnership in Ukraine is becoming vital to the tackling financial challenges of the construction and operation of asserts of the strategic importance for providing socio-economic development of the society in an environment of budget shortfalls.

The analysis of a foreign experience in the realization of the partnership between public and private sectors allows us to organize guidance and conditions of the PPP implementation for further use in Ukraine.

Purpose. Generalization of the experience of the public-private partnership implementing in the developed countries and development of proposals for the public-private partnership realization in Ukraine.

Method (methodology). The Comparative analysis of the practice of the realizing public-private partnership in the UK, France, the USA, the Netherlands.

Results. On the basis of the public-private practice research in the developed European countries and the United States of America the special features of the establishment of national models and specific form of public-private partnership have been determined. Evolutionary changes in the performing the governmental functions and constructing the partnership system in the sphere of participant diversification and increasing the transparency and efficiency of projects have been traced. It was proved that the quantitative and qualitative leap in the public-private partnership development in the countries studied pertained to the establishment of the special public agencies and institutions to hold consultations, economic expertise and facilitated the introduction of the collaboration between government and business. Priority forms and areas of public-private partnership implementation in the countries studied have been defined. The main obstacles to the realization of long-term public-private partnership forms in Ukraine related to the political turmoil, absence of state guaranties and high risks of making investment have been revealed. The necessity to improve the staffing capacity of the public-private partnership implementation process and development appropriate methodology documentation has been proved. It was concluded that there is a need to create a special institution to coordinate the implementation of the partnership between the state and business in Ukraine and improve the legal framework for the regulation of public-private partnerships at the local and national levels.

Keywords: government; business; public-private partnership; foreign experience; collaboration; public-private partnership agencies.

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