PUBLIC-PRIVATE PARTNERSHIP MECHANISM

ABSTRACT

In modern business conditions, limited budget funding, insufficient infrastructure development, and the need for import substitution forced the state to develop and improve new forms of interaction with private investors. One of the effective methods of interaction with private businesses in the implementation of various projects is a public-private partnership.

In this article, the elements of the public-private partnership mechanism are explored. The optimal environment-forming conditions for the implementation of the public-private partnership mechanism projects in Ukraine are determined. The fundamental problems, associated with the effective implementation of public-private partnerships in the managing government property practice, are considered. Also, the possible directions for decision public-private partnership problems have been revealed.

The main components of the public-private partnership mechanism are interaction, contractual work, project priorities, risk distribution, participation in financing, and distribution of responsibility, a subject of facility operation.

The principles of state participation in public-private partnership projects should be the following fundamental installations: participation and interest; compliance with the interests of the parties; Transparency of the project of public-private partnership, accountability and responsibility for the decisions made; Justice and compliance with the rules when distributing responsibility between project participants; stability of interaction and coordination of efforts between government agencies and private investors; Efficiency and effectiveness.

The main conditions for the successful preparation and implementation of various forms of public-private partnership, contributing to the increase in their effectiveness, efficiency and perception by society, are the following: Development of real projects; accounting for the opinions and requirements of the population and employees of enterprises; information support in the media, of socially significant projects; the creation of effective civil monitoring authorities for the implementation of large projects; Creation of a personnel basis for the successful implementation of public-private partnership projects; Qualitative methodical support for project management procedures through the formation of a publicly available national project database.

There are no examples of successfully implemented major public-private partnership projects. Nevertheless, the need to develop potential partnership mechanism for state and private enterprise to implement the transition of Ukraine to European standards of energy, housing, and social infrastructure are becoming increasingly obvious. Therefore, all the above aspects are extremely important for Ukraine, where the public-private partnership concept as a promising socio-economic institution receives support at the high state level.

Keywords: public-private partnerships, projects, principles, privatization, government procurement, public administration, project management

JEL Classification: H70, H73, H79

INTRODUCTION

In Ukraine, relationship stereotypes between the state and private businesses are established. Also, there is effective legal regulation, along with public interest importance
leveling. The public-private partnership is presented by the majority of potential participants and stakeholders. They are considered as a veil of corrupt redistribution of state ownership.

In addition, in public discussions, representatives of state-owned enterprises (trade union leaders, management) often evaluate the expanding trend of public-private partnerships in the production sector of the economy as a transitional stage to the privatization of the most attractive state assets, affecting the disadvantage of such and the disadvantage of the practice of active attraction of private capital. However, state-owned enterprises, effectively managed by their managers, providing a significant cash flow into budgets of all levels - is rather an exception to the rules in the modern Ukrainian economy. Financing lack, new industrial and management technologies make it impossible to actively grow public sector enterprises.

At the same time, the lack of funding is not the only obstacle to modernization and development: the lack of a full-fledged vision of the objectives, and ways to move industries from the crisis state, a high degree of decisions bureaucratization, low qualifications in the field of infrastructure projects also adversely affect the effectiveness of public administration. At the same time, the full-scale privatization of state infrastructure assets is impossible and is not always an effective way to transfer the tasks of the development of these industries on the shoulders of the private sector.

The response to the current situation is the generally accepted global practice of public-private partnership. The advantage of this is the involvement of private business practices in the traditional state sectors of the economy, as well as the desire to level the deficiencies of both business methods; due to the optimal distribution of resources, areas of responsibility, and risks.

LITERATURE REVIEW

In Ukrainian science, today a certain theoretical basis of public-private partnership has been formed. The greatest contribution to its development was made by modern scientists-economists: V. Kruglov [1], Yu. O. Podolyan, A. V. Ivashchenko [3], N. O. Ryazanov [4], A. V. Serikov [5], O. V. Shkurenko [6].

The complex and multidimensional nature of the research facility led to the need to appeal to the works of the following scientists and specialists in the field of economics: A. Bakulina, S. Karpova [7], O. Bordiyenko, N. Nychkalo, Y. A. Malykhina, O. Kuz, D. Korotkov [8], A. Cepparulo, G. Eusepi, L. Giuriato [9], C. Cui, M. Skitmore [10], S. Fanelli, F. Salvatore, G. Pascale [11], L. Hrytsenko, I. Boarko, O. Tverezovska, J. Polcyn, R. Miskiewicz [12].

V. Kruglov [1] considers that public-private partnership is long-term cooperation between the state (state bodies and local self-government bodies), as well as private companies aimed at financing, design, implementation and management of public objects and public services (public facilities and public services). They are traditionally provided by the state (public sector).

The main advantages of a public-private partnership include financial benefits for public authorities and local self-government bodies, socio-economic benefits for the territorial community, as well as political advantages.

Yu. O. Podolyan, A. V. Ivashchenko [3] think that separate profitable projects of public-private partnership can be a source of new financial resources through the distribution of profit between the private operator (partner) and the authorities, as well as local self-government bodies. Thus, the project can be implemented without creating a burden for the budget, and released budget resources can be directed to other purposes, such as health care, education, and other social projects.

The accelerated implementation of projects will allow the community to get the effect of the community from the introduction of new services or improving the quality of existing ones and will help to increase private investment and economic development of the region [6].

According to O. Bordiyenko, N. Nychkalo, Y. A. Malykhina, O. Kuz, D. Korotkov [8], the public-private partnership changes the role of authorized bodies of state power (local self-government bodies) from the body that owns and operates into a body that administers and controls. It allows state authorities and local self-government bodies to increase the quality of public and utilities, reducing the state/local budget expenditures, including human resources costs for providing these services.

L. Hrytsenko, I. Boarko, O. Tverezovska, J. Polcyn, R. Miskiewicz [12] determine that the most serious obstacle to the implementation of public-private partnership projects is the general state of the institutional environment, in which a private partner has to implement a project of public-private partnership.
The most serious systemic problems should be attributed:

▪ difficulties in obtaining permits and approvals necessary for the implementation of the project of public-private partnership;
▪ difficulty in re-registration of a private partner of the right to use the land on which the object of public-private partnership is located;
▪ insufficient professional training of officials involved in a public-private partnership, low level of motivation;
▪ corruption manifestations.

AIMS AND OBJECTIVES

The aim and tasks of the study are: to determine the elements of the public-private partnerships mechanism; to format optimal environment conditions on implementation projects for the public-private partnership mechanism in Ukraine; to determine fundamental problems, associated with effective implementation of public-private partnership in managing public property practice and possible directions for their decision.

METHODS

Having studied the opinions of economic scientists and specialists of international institutions dealing with the implementation of public-private partnerships, it can be concluded that the essence of the investigated relations [2].

So, the public-private partnership is a relationship system between the state and the subjects of private entrepreneurship aimed at achieving results in the traditionally state-owned areas of economic and social activities defined through the relevant treaties on the terms of a balanced distribution of rights, obligations, risks, costs and benefits.

Whereas privatization as a whole is understood as the transfer of a state asset to the private sector for an unlimited period by selling it.

At the same time, the principal differences between public-private partnerships from privatization are:

▪ first, interaction fineness. After public-private partnership contracts the period comes when a private investor transmits the partnership object back to the public sector, even if he had ownership at a certain period of time (mechanisms here, Boot – Build Operate Transfer, Build Own Operate Transfer);
▪ secondly, when it is privatization risks associated business activities fully fall into the private sector. Public-private partnership distributes risks on contracts;
▪ thirdly, after privatization, the participation of state bodies in the activities of the enterprises is limited by the regulatory impact, while under a public-private partnership the public sector is partially responsible for the result of the work of the enterprise, and the quality of the services provided.

RESULTS

Analysis of the mechanisms of traditional procurement in the public sector, public-private partnership and privatization also allowed identifying fundamental differences in these approaches, the main of which is the distribution of responsibility and benefits from the projects being implemented (Table 1).

Thus, in whatever form there was a public-private partnership, to put an equality sign between it and privatization even at the good implementation of a public-private partnership is incorrect. Despite different options of public-private partnership such as concessions and BOT-contracts are as close as possible to the extreme degree of denationalization.

If the main role of a private partner in public-private partnership projects is related to the achievement of a certain level of efficiency, the quality of the services provided, financial and innovative support, the role and functions of the public partner is much broader, since it is covered by the scope of formation of public-private partnership policies and optimal economic, legal and social conditions for its implementation, development of projects, ensuring a clear and transparent scheme of selection of a private investor, evaluating the effectiveness of their proposals, risk determination, the creation of a project monitoring system.
Table 1. Characteristic features of the mechanisms of interaction between public and private sectors when implementing projects.
(Source: Formed on the results of the analysis and generalization of scientific papers [9; 14; 23])

<table>
<thead>
<tr>
<th>Traditional government procurement</th>
<th>Public-private partnership</th>
<th>Privatization</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>General mechanism of interaction</strong></td>
<td>The state purchases the services of enterprises operating on the principles of public-private partnership and forming assets at the expense of various sources.</td>
<td>The state represented by the Government and other authorities is purchasing services for the private sector on competitive conditions.</td>
</tr>
<tr>
<td><strong>Contract work</strong></td>
<td>A contract of public-private partnership is concluded, including development, construction, financing, and operation.</td>
<td>The contract for the purchase of services with a private partner is concluded.</td>
</tr>
<tr>
<td><strong>Project priorities</strong></td>
<td>The result of the project is important.</td>
<td>It is important to receive a service at a minimum cost.</td>
</tr>
<tr>
<td><strong>Risk distribution</strong></td>
<td>All responsibility for risks falls on the public sector.</td>
<td>Part of the risks of the project assists the private sector.</td>
</tr>
<tr>
<td><strong>Participation in financing</strong></td>
<td>All risks lie in the private sector.</td>
<td>Financial support of the project lies with a private investor.</td>
</tr>
<tr>
<td><strong>Distribution of responsibility</strong></td>
<td>Responsibility for the quality, cost and timing of the project development is carried by the public sector.</td>
<td>The investor is responsible for the construction time and budget. Government – for administrative procedures.</td>
</tr>
<tr>
<td><strong>Subject of operation of the facility</strong></td>
<td>The government operates an object.</td>
<td>Exploiting the object of the private sector, the government is purchasing services.</td>
</tr>
<tr>
<td><strong>Administration</strong></td>
<td>Depending on the contract, the object is operating a private partner or state.</td>
<td>The state in the person of the government or other bodies is involved and manages one contract of public-private partnership.</td>
</tr>
<tr>
<td><strong>Efficiency and Performance Criteria</strong></td>
<td>The state administers the entire project contract package.</td>
<td>The government is responsible for choosing the most suitable privatization entity.</td>
</tr>
<tr>
<td></td>
<td>Soft approach to the project on quality criteria, cost, timing.</td>
<td>Quality standards, object operation rules, its transfer period in the public sector strictly stipulates and are observed.</td>
</tr>
</tbody>
</table>

The conscientious study of each of the areas of responsibility allows not only to increase the economic efficiency of public-private partnership projects, but also to ensure public recognition of this mechanism to work with the private sector, discredited by the years of corruption and neglect government interests.

Thus, the principles of state participation in public-private partnership projects through various executive and legislative authorities should be the following fundamental installations [13; 19; 21]:

- participation and interest, that is, active involvement in the procedure for developing, implementing, project control;
- compliance with the interests of the parties, including future project users, as well as the population living near the project; conducting activities in such a way that the positive effect of project implementation is not accompanied by the damage for third-party persons;
- the transparency of the public-private partnership project is the openness of decision-making processes, especially concerning competitions and tenders, financing, environmental protection and security for a person;
- accountability and responsibility for the decisions made - state authorities should take a responsibility to answer the Company for the quality, cost, effectiveness of the implemented projects and their safety;
- justice and compliance with the rules in the distribution of responsibility, responsibilities and rights between the participants of the project, its users involved in the population, the decision of disputes in accordance with the legislation, the presence of guarantees of reimbursement of risks;
- stability of interaction and coordination of efforts, lack of competition between government agencies and private investors, as well as within the project between its performers;
- efficiency and effectiveness – with the help of a public-private partnership project, an optimal method and mechanism for the use of public finances, land resources, minerals, labour efforts in advanced temporary framework and established quality should be implemented.

In accordance with the specified principles, the parties are developed by such a system of public-private partnership relations, which is a tool for preventing the development of systemic deficiencies of interaction, as well as monitoring its implementation (Table 2).

### Table 2. Details of the basic principles of effective public-private partnership management. (Source: Formed on the results of the analysis and generalization of scientific papers [6; 17; 21; 24])

<table>
<thead>
<tr>
<th>Public Private Partnership Policy Components</th>
<th>Actions and procedures for the effective management of public-private partnership</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Compliance with the interests of the Parties and Justice</strong></td>
<td>Designation of experts responsible for developing design and estimate documentation. Design and detailed planning. Administer design, planning. Development of contract documentation.</td>
</tr>
<tr>
<td><strong>Project documentation and Plans System</strong></td>
<td>Existing political and legal features and regulatory acts, rules and standards of public-private partnership.</td>
</tr>
<tr>
<td><strong>Contract documentation</strong></td>
<td>The procedure for selecting a private partner. Methodology for estimating competitive proposals. Evaluation criteria.</td>
</tr>
<tr>
<td><strong>Choosing a private partner</strong></td>
<td>Information management system. Classification of information. Communication tools.</td>
</tr>
<tr>
<td><strong>Information management</strong></td>
<td>Financial / investment strategy. Program of incentives and compensation. Procedures and mechanism of settlements with a private partner.</td>
</tr>
<tr>
<td><strong>Financial management</strong></td>
<td>Participation of users and the public. Public participation in planning and implementing the project. Analysis of the need for a project. Analysis of the economic and social consequences of the project.</td>
</tr>
<tr>
<td><strong>Accountability, participation and interest</strong></td>
<td>Construction supervision. Selection of subcontractors. Assessment of compliance with project parameters.</td>
</tr>
<tr>
<td><strong>Quality warranty</strong></td>
<td>Project management system. The existence of participation in public-private partnership projects.</td>
</tr>
<tr>
<td><strong>Participation in managing</strong></td>
<td>The choice of approach to interaction with participants and stakeholders. Coordination and implementation procedures made decisions. Procedures for solving conflicts and disputes.</td>
</tr>
<tr>
<td><strong>Management of interaction with participants and stakeholders’ infrastructure development plan.</strong></td>
<td>Infrastructure operation strategy. Infrastructure maintenance program.</td>
</tr>
<tr>
<td><strong>Manage operation and maintenance</strong></td>
<td>Development of organizational decision-making structure. Development of a hierarchical structure in the project of public-private partnership.</td>
</tr>
<tr>
<td><strong>Organizational structure</strong></td>
<td>System and Structure of the Progress of the Project Progress. Project Reporting Procedures.</td>
</tr>
<tr>
<td><strong>Project Monitoring and Control System</strong></td>
<td>Project documentation procedure and reporting documentation system.</td>
</tr>
<tr>
<td><strong>Project administration</strong></td>
<td>Project administration</td>
</tr>
</tbody>
</table>
DISCUSSION

The real advantages of using the public-private partnership mechanism are [7; 9; 10; 11]:

▪ reducing cost and saving resources,
▪ sharing responsibility and risks with the private sector,
▪ access to technological and managerial innovation,
▪ enterprises development and economy sectors, territories and regions.

However, along with the real advantages of using the public-private partnership mechanism, experts in the sphere of state interaction with private businesses allocate certain problems, which threaten its effectiveness [12; 13; 15; 16; 17]:

▪ there is an absence of necessary information about public-private partnership planned projects to provide potential investors when government develops projects to attract previously known investors;
▪ lack of sufficient experience in the private sector, potential and skills in the state;
▪ unpretentiousness of the state infrastructure on decision-making for project implementation;
▪ possible loss of control traditionally government economy;
▪ a higher cost of financing in the private sector (leads to an increase in total project costs);
▪ the inability to optimally distribute risks between participants.

At the same time, the analysis of the experience of using public-private partnership in Ukraine allows to add problem areas marked above, inherent in the domestic practice of the interaction of the state and business, due to the low level of efficiency of the work of state structures, namely [19; 20; 21; 22; 23]:

▪ awareness of the role, necessity and possibilities of applying a variety of forms of public-private partnership in various sectors of the economy, as well as the distribution of functions between the participants of the process;
▪ the absence of a centralized management body and facilitating the implementation of public-private partnership projects in Ukraine, as well as methods and tools for monitoring and monitoring this process;
▪ legislative support for the implementation of public-private partnership projects;
▪ protection of the interests of the state, investor and society;
▪ formation of management and personnel bases for the effective implementation of the project at each stage;
▪ public perception of the need to transmit part of property and functions to the private sector in the traditionally public sectors of the economy;
▪ the complexity of ensuring transparency of procedures for conducting concession competitions and selection of investors to implement projects;
▪ the lack of fair competition between investors and the provision of free access to the project of public-private partnership projects [12].

If some of these problems are widely discussed by scientists and specialists (analysis of legislation on public-private partnership and the formation of a legal framework for investment, a methodology for holding contests, the creation of a structure that oversees public-private in Ukraine), then the rest require more detailed studies.

Practice and methodology of public-private partnership worked out for decades in countries with different ways and the level of economic development showed that this mechanism is not always suitable for solving the problems of a particular enterprise, industry, region. The active attraction of the private sector is effective, but not a universal admission to ensure sustainable development. It is applicable if:

▪ it is planned to implement a large project that requires optimal risk management, attracting a significant amount of financing, conducting large-scale capital construction;
▪ it is planned to implement a series of similarities in essence and structure, for which it is possible to develop a universal scheme for state cooperation and investors;
▪ in the private sector, the experience and knowledge required for the implementation of projects are concentrated;
▪ there is reason to assume that the cost of project implementation will be significantly lower, and the period is shorter due to the attraction of a private investor;
▪ the state partner is confident that public interest as a result of the partnership will be adequately and rightly satisfied;
it seems possible to clearly distribute the risks between the project participants;
the duration of the project and its cost, the nature of the technologies used, the participating assets and services will ensure reimbursement of investors throughout its life cycle.

In other cases, it is rational to use the traditional management system in the public sector or use a more radical way to increase efficiency – privatization.

CONCLUSIONS

Thus, the main conditions for the successful preparation and implementation of various forms of public-private partnerships that contribute to the increase in their effectiveness, efficiency and perception by society are the following:

- development of real projects that decide actual tasks and satisfying basic development needs for a particular industry, enterprises, region, territory, community;
- accounting for the opinions and requirements of the population and employees of enterprises through the mechanism of public hearings of socially significant projects affecting the interests of society, collective discussion of project development projects with explanations of the advantages and results of their implementation, threats and benefits for employees;
- information support in the media of socially significant projects to reduce social tensions and growth of their approval, which will allow to overcome resistance to negative consequences of project implementation;
- the creation of effective civil monitoring authorities for the implementation of large projects affecting the interests of local authorities, residents of territories, enterprise workers;
- the creation of a personnel basis for the successful implementation of public-private partnership projects due to:
  - internships of specialists in public-private partnership in international organizations dealing with these issues, relevant institutions in the governments of countries, actively and efficiently using a public-private partnership mechanism;
  - invitations of foreign specialists who in the Project Management team will be able to transfer their own experience in practice;
  - interactions with higher educational institutions and specialized training centers preparing specialists in project management;
- qualitative methodical support for project management procedures by forming a publicly accessible national project of projects, as well as the development (or adoption of the standard of international organizations) certified manual for managing public-private partnership projects describing its basic principles, approaches, techniques, features of application in various sectors of the economy.

There are no examples of successfully implemented major public-private partnership projects. Nevertheless, the need to develop potential partnership mechanism for state and private enterprise to implement the transition of Ukraine to European standards of energy, housing, and social infrastructure are becoming increasingly obvious. Therefore, all the above aspects are extremely important for Ukraine, where the public-private partnership concept as a promising socio-economic institution receives support at the high state level.

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Азаренкова Г., Алексеев І., Гурковський М., Орехова К., Головко О., Курило О.

МЕХАНІЗМ ДЕРЖАВНО-ПРИВАТНОГО ПАРТНЕРСТВА

У сучасних умовах господарювання обмежене бюджетне фінансування, недостатність розвитку інфраструктури, необхідність розвитку імпортної заміни змусили державу розвивати та покращувати нові форми взаємодії з приватними інвесторами. Одним із ефективних способів взаємодії з приватним бізнесом у реалізації різних проектів є державно-приватне партнерство.

У статті досліджено елементи механізму державно-приватного партнерства; з’ясовано умови, що утворюють оптимальне середовище для реалізації проектів механізму державно-приватного партнерства в Україні; розглянуто основні проблеми, пов’язані з ефективним упровадженням державно-приватного партнерства в практиці управління державним майном та визначені можливі напрямки їхнього рішення.

Основними компонентами механізму державно-приватного партнерства є: взаємодія, договірна робота, пріоритети проекту, розподіл ризиків, участь у фінансуванні, розподіл відповідальності, суб’єкт експлуатації фонду.

Принципами державної участі в проектах державно-приватного партнерства повинні бути такі фундаментальні установки: участь та інтерес; дотримання інтересів сторін; прозорість проекту державно-приватного партнерства, підвищення та інifo до відповідальності за ухвалення рішень; справедливість та дотримання правил при розподілі відповідальності між учасниками проекту; стабільність взаємодії та координація зусиль між державними установами та приватними інвесторами; ефективність та результативність.

Основними умовами для успішної підготовки та реалізації різних форм державно-приватного партнерства, що сприяють підвищенню їхньої ефективності, сприйняттям суспільством, є: розробка реальних проектів, урахування вимог населення та працівників підприємств, інформаційна підтримка в засобах масової інформації, соціально значущих проектів, створення ефективних органів моніторингу для реалізації великих проектів, підготовка персоналу для успішного виконання проектів державно-приватного партнерства, якісна методична підтримка процедур управління проектами, шляхом формування загальноодержавної національної бази даних проекту.

В Україні приклади успішного впровадження основних державно-приватних проектів партнерства відсутні. Тому особливо актуальним є розроблення механізму партнерства держави та бізнесу для здійснення транзитного потенціалу України та зростання енеретики, житлово-комунального господарства до європейських стандартів.

Ключові слова: державно-приватне партнерство, проекти, принципи, приватизація, державні закупівлі, державне управління, проектний менеджмент

JEL Класифікація: H70, H73, H79