

Rollan Serikov<sup>1</sup>

### SYSTEMATIZATION OF THE MAIN FORMS OF PUBLIC-PRIVATE PARTNERSHIP

*The systematic characteristics of the modern forms of public-private partnership (PPP) are considered in the research paper. The legal forms of PPP and the level of their implementation in Kazakhstan are defined. The promising directions of introduction of different forms of PPP in the domestic economy are substantiated.*

*Keywords: public-private partnerships, projects, contracts, management, lease, affermage, concession, turnkey projects, partial privatization.*

Роллан Серіков

### СИСТЕМАТИЗАЦІЯ ОСНОВНИХ ФОРМ ДЕРЖАВНО- ПРИВАТНОГО ПАРТНЕРСТВА

*У статті представлено систематизовану характеристику сучасних форм державно-приватного партнерства (ДПП). Визначено легітимні форми ДПП в Казахстані та рівень їх реалізації. Обґрунтовано перспективні напрями впровадження різних форм ДПП у вітчизняну економіку.*

*Ключові слова: державно-приватне партнерство, форми, проекти, контракти, управління, оренда, афермаж, концесія, проекти "під ключ", часткова приватизація.*

*Таб. 2. Літ. 21.*

Роллан Серіков

### СИСТЕМАТИЗАЦІЯ ОСНОВНЫХ ФОРМ ГОСУДАРСТВЕННО-ЧАСТНОГО ПАРТНЕРСТВА

*В статье представлена систематизированная характеристика современных форм государственно-частного партнерства. Определены легитимные формы ГЧП в Казахстане и уровень их реализации. Обоснованы перспективные направления внедрения различных форм ГЧП в отечественную экономику.*

*Ключевые слова: государственно-частное партнерство, формы, проекты, контракты, управление, аренда, афермаж, концессия, сдача объектов "под ключ", частичная приватизация.*

**Statement of the problem and its relation to important scientific and practical tasks.** The world development trend of recent decades led to qualitative changes of the role and relations of state and business, the vector has shifted from confrontation to partnership. Constructive dialogue between public and private sectors is not only a sign of a highly developed state, but also a necessary condition for solving problems in various areas of the sustainable development of the society. As a result, many countries formed the institute for public and private partnership (PPP), which nature, mechanisms and application field vary depending on the specifics of socioeconomic relations.

At present the world theory and practice of PPP is represented by fairly extensive array of studies, forming together the conceptual basis, conceptual apparatus and mechanisms for management and regulation of this specific form of government and business interaction at different levels of the economy. However, academic interest in the subject increases with every year, as evidenced by recent publications of foreign

---

<sup>1</sup> PhD Candidate, T.Ryskulov Kazakh Economic University, Kazakhstan.

(D.V. Brinkerhoff, 2011; V.G. Varnavsky, 2012; A.M. Vorotnikov and V.A. Korolev, 2010; E. Istreyt and R. Puentes, 2011; V.A. Kabashkin, 2010; M. Moszoro and P. Gazerovski, 2008; M. Scribner, 2011; D. Heald and G. Georgiou (2011) etc.) as well as domestic authors – B. Abdrakhmanova and G. Shayhanova, 2011; T.M. Mataeva, 2011; T.W. Sadykova and M.K. Myrzakhmet, 2012; J.J. Suleimenova and T.A. Taipov, 2011, etc.

At the same time, in many publications it is quite difficult to choose systematized information concerning modern forms of PPP implementation and their applicability in various fields. This theoretical and methodological uncertainty limits the practical implementation of promising forms of cooperation between the state and private investors.

This issue is particularly acute for the domestic economy, where the current institutional support does not allow implementation of various forms of PPP, but drafting a law on the introduction of new forms of PPP is actively developing (Nazarbaev, 2012).

The study aims at systematizing the modern forms of PPP and forming the proposals on the possibilities of their application in the economy of Kazakhstan.

To achieve this goal it is necessary to solve the following problems:

- to identify the forms of PPP, the most commonly practiced in the world;
- to submit their systematized characteristic, meaning the uniting of similar forms of PPP into homogeneous groups according to the criteria such as the mechanism of action, advantages, disadvantages, typical areas of application;
- to define legitimate forms of PPP in Kazakhstan, the degree of their development and the need for their further development or introduction of new forms into various sectors of the domestic economy.

**The main results of the study.** Public and private partnership in the theoretical context is a system of relations between state and business in a contractual form, being widely used as a tool for national, international, regional, municipal, social and economic development and planning. From the practical point of view, these are specific projects carried out by various government agencies and business together or only by private companies at the objects of state property (Varnavskiy, 2011).

Practical implementation of partnership between government and business can take various forms, which are expanded, enhanced and modified as new challenges in the area of PPP appear, as their complexity or dynamics grow.

On the basis of publications in the field of PPP international recommendations (UNESCAP, 2011; European Commission, 2003; The World Bank, 2012; UNICTRAL, 2001), it is possible to single out 5 aggregative forms of the organization of such relationships: management, rental or affermage; concession, turnkey projects, partial or temporary privatization (Table 1).

As one can see, international practice provides different forms of PPPs, being often used in combination and having mixed nature. In addition, some of them include a wide range of components: BOT - Build-Operate-Transfer (for concessions) and DBFO — Design-Build-Own-Operate (in the construction of a zero-cycle), as well as their modifications.

Although in the Programme for the Development of Public and Private Partnership in the Republic of Kazakhstan for 2011-2015 the possibility of the exis-

Table 1. Systematized characteristics of the main forms of PPP\*

| Form of PPP                        | Mechanism of action  | Advantages   | Disadvantages  | Application field  |
|------------------------------------|--|--|--|--|
| Management                         | Public sector transfers the functions of managing some infrastructure facilities or the provision of public services to the private partner, paying for his activity on a fixed basis or depending on the progress of work   | <ul style="list-style-type: none"> <li>- The possibility of limited involvement of the private sector in areas where other forms of PPPs are not feasible or risky</li> <li>- Improving the efficiency of construction.</li> <li>- Opportunities for innovation.</li> <li>- Improving the quality of services at the same level of end-user prices.</li> </ul> | <ul style="list-style-type: none"> <li>- Limited capacity to improve efficiency and productivity.</li> <li>- Conflicts between new management and staff</li> </ul>   | Water supply and sanitation systems, energy, rail transport, roads   |
| Rent or affermage                  | The public authority signs a contract with a private partner for the design, financing and construction of the object by the latter to provide public services. After that, the private partner leases this property from the authority for a specified period, after which ownership passes to the state.                       | <ul style="list-style-type: none"> <li>- Transferring operational, financial and investment risks to the private partner.</li> <li>- The private partner is responsible for the quality and the state of the facility.</li> </ul>  | <ul style="list-style-type: none"> <li>- Reducing the possibility to control over the quality of services and use of infrastructure facilities.</li> <li>- The need to pay to the private partner the difference in fares if they drop below the market level.</li> </ul>  | Water purification and sanitation systems, recycling solid waste. Construction of transport parks and creation of other capital assets               |
| Concession                         | Public sector transfers commitments for infrastructure works and the provision of certain public services to the private partner, which in turn receives the right to charge respective fees from consumers.   | <ul style="list-style-type: none"> <li>- Improving the quality of construction work and transferring of professional executor.</li> <li>- Ability to monitor and to introduce certain conditions relating to the placement and functional characteristics of the facility.</li> </ul>  | <ul style="list-style-type: none"> <li>- Focus of the private performer on the delivery of services to meet the performance requirements at the expense of updating tasks, increasing capacity and replacing capital assets.</li> <li>- The need for cost recovery of the concessionaire in the event of failure to cover their tariff payments</li> </ul> | Transport and energy   |
| Turnkey projects                   | A private company is engaged in design, construction and operation of the facility for a certain period of time specified in the contract. The public sector finances the project, determines the criteria for its effectiveness. The ownership of the facility belongs to the state structure                                   | <ul style="list-style-type: none"> <li>- Gaining access to capital resources of the private sector for the construction and operation of infrastructure.</li> <li>- Reduction of operating costs of the state budget.</li> <li>- Preservation of certain powers of control of quality and standards by the state.</li> </ul>                                   | <ul style="list-style-type: none"> <li>- Reducing the possibility of the state control over the functioning of the facility.</li> <li>- Increasing the complexity of the procedure for payment of private performer.</li> <li>- Specific risks, depending on the scope of the origin of the infrastructure facility.</li> </ul>                            | Mostly facilities of infrastructure purposes, including the construction of water supply and sanitation systems, education and healthcare facilities |
| Partial or temporary privatization | A private company purchases a share of facility being in public domain (or vice versa), getting (giving) some powers of ownership for the facility. In case of temporary privatization the state property is transferred to be improved or expanded to the private partner for a specified period or until a certain efficiency. | <ul style="list-style-type: none"> <li>- Difficulties in finding a new partner in the event of failure of the previous one or its bankruptcy.</li> <li>- Challenges with the employment of public servants concerning their moving into the private sector.</li> </ul>   | <ul style="list-style-type: none"> <li>- Difficulties in finding a new partner in the event of failure of the previous one or its bankruptcy.</li> <li>- Challenges with the employment of public servants concerning their moving into the private sector.</li> </ul>   | Roads, water supply, water treatment, and sanitation systems, parking sites, airports, recreational facilities                                       |

\* composed by the author based on UNESCAP, 2011; European Commission, 2003; The World Bank, 2012; UNICITRAL, 2001.

tence of various forms of PPP is stipulated (Resolution of the Government of the Republic of Kazakhstan from 14.04.2010 N302), the legal framework provides only one form of PPP - concession - operating in the domestic economy (The Law of the Republic of Kazakhstan from 07.07.2006 N167-III).

Currently 5 concession projects are being implemented in Kazakhstan like "build-operation" in the transport and energy sectors, with the total estimated investment of about 74 bln tenge. About 15 projects in the transport and social sectors with the total estimated investment into the construction of more than 800 bln tenge are also at the planning stage according to the concession scheme (Kazakhstan Public-Private Partnerships, 2012).

The implementation of the first concession projects in Kazakhstan opened new possibilities for the national economy, including: attracting private investment resources into national facilities; risks haring on the projects between state and private investors; ensuring cost-effective management of a project; attracting modern high-tech technologies for infrastructure development.

However, the issues of extending the scope of applications of PPPs in various sectors of the economy based on the development and implementation of new forms of such cooperation require further development. Based on the information on the priority needs of the Kazakhstan regions in the PPP (Kazakhstan Public-Private Partnerships, 2012) and the data in Table 1, we consider the introduction of the following forms of PPP to be promising (Table 2).

**Table 2. Priority directions and possible forms of implementation of PPP in Kazakhstan\***

| Area           | Specificity and magnitude of needs  | Possible forms of PPP               |
|----------------|---|-------------------------------------|
| Waste disposal | Major repairs or complete replacement:<br>- principal sewers (1,248 km of pipes);<br>- street networks (1,476 km of pipes);<br>- interquarter and interyard networks (1,568 km of pipes).                           | Management.<br>Rent of<br>aftermage |
| Water supply   | Major repairs or complete replacement:<br>- water conduits (1,248 km of pipes);<br>- street networks (5604 km of pipes);<br>- interquarter and interyard networks (2163 km of pipes).                               |                                     |
| Energy         | Renovation and extention of the existing TPS (1)<br>Construction of hydropower station (2), thermal power-station (1), heat electropower station (4)<br>Construction and modernizing of transformer substations (5) | Management                          |
| Education      | Construction of pre-school institutions (2500)<br>Construction of schools (245)   | Turnkey<br>projects                 |
| Healthcare     | Construction of polyclinics (25), hospitals (1)   |                                     |

\* composed by the author based on Kazakhstan Public-Private Partnerships (2012) and Table 1.

This would significantly improve the quality of the services traditionally provided by the public sector, as well as direct significant flows of investment resources of the private sector into priority infrastructure facilities of the national economy.

**Conclusions.** Systematization of currently widely practiced forms of PPP is a prerequisite for making strategic decisions about the feasibility of implementing a particular form in various sectors of the economy. The projection of the obtained information on the data about the current status and priority needs of the introduc-

tion of PPP in Kazakhstan allows determining the possible forms of its further development by industry focus.

The issues of improving the existing control mechanisms on the concession projects as well as forming an adequate institutional support (especially of legal components) of new forms of PPPs require further development.

#### References:

- О концессиях: Закон Республики Казахстан от 07.07.2006 №167-III ЗРК // [www.zakon.kz](http://www.zakon.kz).
- Программа по развитию государственно-частного партнерства в Республике Казахстан на 2011-2015 годы: Постановление Правительства Республики Казахстан от 14.04.2010 №302 // [kzppp.kz](http://kzppp.kz).
- Социально-экономическая модернизация - главный вектор развития Казахстана: Послание Президента Республики Казахстан Н. Назарбаева народу Казахстана от 27 января 2012 г. // [akorda.kz](http://akorda.kz).
- Абдрахманова Б.С., Шайханова Г.С.* Государственно-частное партнерство в сфере городской инфраструктуры Казахстана // Вестник Евразийского национального университета им. Л.Н. Гумилева.- 2011.- №3 // [repository.enu.kz](http://repository.enu.kz).
- Варнавский В.Г.* Государственно-частное партнерство: некоторые вопросы теории и практики // Мировая экономика и международные отношения.- 2011.- №9. - С. 41-50.
- Варнавский В.Г.* Управление государственно-частным партнерством за рубежом // Вопросы государственного и муниципального управления.- 2012.- №2. - С. 134-147.
- Воротников А.М., Королев В.А.* О развитии государственно-частного партнерства в российских регионах // Недвижимость и инвестиции. Правовое регулирование.- 2010.- №2. - С. 49-57.
- Кабашкин В.А.* Государственно-частное партнерство: международный опыт и российские перспективы: Монография. - М.: Международный Инновационный Центр, 2010. - 575 с.
- Матаев Т.М.* Перспективы развития форм государственно-частного партнерства в Республике Казахстан // Российское предпринимательство.- 2011.- №12. - С. 187-192.
- Садыков Т.У., Мырзахмет М.К.* Потенциал государственно-частного партнерства в здравоохранении Казахстана // Теоретическая экономика.- 2012. - №4. - С. 22-25.
- Сулейменов Ж.Ж., Таунов Т.А.* Частно-государственное партнерство в АПК Казахстана в условиях рисков // Вестник ВГАУ.- 2011.- №3. - С. 138-141.
- Статистические данные // Казахстанский центр государственно-частного партнерства, 2012 // [kzppp.kz](http://kzppp.kz).
- Brinkerhoff, D.W., Brinkerhoff, J.M.* (2011). Public-Private Partnerships: Perspectives on Purposes, Publishes, and Good Governance. Public Administrations and Development, 31(1): 2-14.
- Heald, D., Georgiou, G.* (2011). The Substance of Accounting for Public-Private Partnerships. Financial Accountability & Management, 27(2): 217-247.
- UNESCAP (2011). A Guidebook on Public-Private Partnership in Infrastructure: [http://www.unescap.org/ttdw/common/TPT/PPP/text/ppp\\_guidebook.pdf](http://www.unescap.org/ttdw/common/TPT/PPP/text/ppp_guidebook.pdf)
- European Commission (2003). Guidelines for successful public-private partnerships: [http://ec.europa.eu/regional\\_policy/sources/docgener/guides/ppp\\_en.pdf](http://ec.europa.eu/regional_policy/sources/docgener/guides/ppp_en.pdf)
- Istrate, E., Puentes, R.* (2011). Moving Forward on Public Private Partnerships: U.S. and International Experience with PPP Units. Washington DC, Brookings-Rockefeller. 28 p.
- Moszoro, M., Gasiowski, P.* (2008). Optimal Capital Structure of Public-Private Partnerships . International Monetary Fund. 13 p.
- The World Bank (2012). Public-Private Partnerships. Reference Guide. Washington: International Development Association or The World Bank. 230 p.
- Scribner, M.* (2011). *The Limitations of Public-Private Partnerships: Recent Lessons from the Surface Transportation and Real Estate Sectors.* Washington, DC: Competitive Enterprise Institute. 31 p.
- UNICITRAL (2001). Legislative Guide on Privately Financed Infrastructure Projects. New York: UN Publication. 222 p.

Стаття надійшла до редакції 29.05.2013.