

**PATTERNS FOR THE DEVELOPMENT OF THE INSTITUTE OF STATE
AND PRIVATE PARTNERSHIP IN UKRAINE**

The main features of state and private partnership along with their essence objectives and goals are being revealed in this article. The concept of regionally-private partnerships and community-private partnership are being inserted into scientific circulation. Problems for the development of the institute of state and private partnership as well as its basic features in Ukraine are being determined. Public sector is responsible for a certain number of sectors of the economy which it should not only maintain in a good stand, but also constantly re-develop. Unfortunately, this problem is common not only to our country, but also for the countries with highly developed economies, where they are not enough of financial costs to accomplish such projects. In current Ukrainian realities the problem of under funding of various sectors of the economy and the lack of "intellectual and managerial capacity" from the side of regional and municipal authorities is very actual. As international experience illustrates, one of the most effective ways is cooperation with private sector, which is characterized by its versatility in terms of solutions of the problems of material and non-material nature, and the ability to use this mechanism in virtually all areas of its responsibility.

Keywords: state and private enterprise, features, aspects, methods, characteristic, partnership, risks, conditions, reasons.

Сімак С.В. Тенденції розвитку та ознаки інституту державно-приватного партнерства в Україні

Розглянуто основні характеристики державно – приватного партнерства. Уточнено сутність, завдання, цілі розвитку державно-приватного партнерства (ДПП). Введено в науковий обіг поняття регіонально-приватного партнерства і муніципально-приватного партнерства. Визначено проблеми розвитку інституту державно-приватного партнерства в Україні. Встановлено основні характерні риси ДПП в регіоні.

Ключові слова: державно – приватне партнерство, риси, аспекти, методи, характеристика, партнерство, ризики, умови, причини.

Симак С.В. Тенденции развития и признаки института государственно-частного партнерства в Украине

Рассмотрены основные характеристики государственно - частного партнерства. Уточнены сущность, задачи, цели развития государственно-частного партнерства (ГЧП). Введено в научный оборот понятие регионально-частного партнерства и муниципально-частного партнерства. Определены проблемы развития института государственно-частного партнерства в Украине. Установлены основные характерные черты ГЧП в регионе.

Ключевые слова: государственно - частное партнерство, черты, аспекты, методы, характеристика, партнерство, риски, условия, причины

Introduction

Public sector is responsible for a certain number of sectors of the economy which it should not only maintain in a good stand, but also constantly re-develop. Unfortunately, this problem is common not only to our country, but also for the countries with highly developed economies, where they are not enough of financial costs to accomplish such projects. As the experience of other countries shows us, one of the most effective outputs of

this situation is cooperation between the state and private business. Private business is not only great financial resources, but also brand new technology, contemporary and much more effective approaches towards the management system.

The acuteness in the development of the institute of state and private partnership in Ukraine can be explained with the existence of following reasons:

Background of the Institute of PPPs in Ukraine can be explained next following reasons:

- Sectors, that attract interest in regards to the implementation of the state and private partnership projects for the bigger part are at the responsibility of the region and characterize the extent of socio-economic development of the entity;

- Having assessed international experience (for instance USA, Germany), we can constitute that state and private partnership projects are being implemented at the regional level and the public sector is represented not by the governmental agencies, but regional ones;

- The reduction of the margin of financial value of state and private partnership projects from the side of investment fund. As it has been mentioned above, investment fund nowadays focuses not on mega projects that in reality should be implemented within state and private partnership, but various regional projects in areas that are aimed at promoting social and economic development of entities in Ukraine;

- Regional focus of the problem in implementation of state and private partnership projects from the side of relevant ministries.

Analysis of recent research

Main features and characteristics of state - private partnerships are being actively discussed in the works of such scholars as A.S. Krupnik, O.D. Balyesna, N.V. Byedelyeva, Permyakova L.D., T.V. Sivak, P.I. Nadolishniy and M.S. Ohanisyan

Statement of research objectives

- to determine main features of state-private partnership;

- to distinguish the most effective methods of governance;

- to study core characteristics of state-private partnership.

Results

The concept of state-private partnership is being used ambiguously in the scientific literature. In addition, a wide range of applications of this type of partnership, as well as practical examples, are creating some difficulties in interpreting this term.

Currently there is no precise and universally accepted definition of the state-private partnership both in domestic and foreign literature. There are many different definitions.

The term state-private partnership refers to a specific form of cooperation between the public and private sectors with the aim of fulfillment of socially important issues and tasks, which is being

characterized by the fact that partners are pursuing common goals [1].

Willingness to reach common goals as it is being indicated as one of the main characteristics of a state-private partnership cannot be understood literally. The purpose of the state sector lies in the field of the implementation of socially significant projects, whereas the main objective of private business is to profit and enrich through cooperation with the state in the fulfillment of socially important issues. Otherwise, private business will not participate in such projects.

The definition given by Ayhörn, does not indicate a number of other significant characteristics of state-private partnerships, such as long-term cooperation or fundraising of the resources from the private sector.

More appropriate and precise in this matter is the definition given by the International Centre for Social and Economic Research "Leontief Centre", "State – private partnership is the combination of tangible and intangible resources of the society and private sector on a long-term and mutually beneficial basis aiming to create public goods or provide public services" [2].

This definition, in our opinion, reflects the main features of state-private partnership, but in this case it should be noted, that most authors tend to use the term of state-private collaboration.

The concept of state-private partnership is being widely used in the literature, where, on one hand, the state does not stand out as a major partner of the private sector - and this, in our opinion, is correct. On the other hand, it should be borne in mind that public sector can be interpreted as a "wider public", meaning the direct beneficiary of the services provided by the state-private partnership.

The direct translation of the English term (Public Private Partnership) and German one (Öffentlich - Private Partnerschaft) gives us the ground to interpret it literally as public-private partnerships.

For the discussion of this issue, we want to concentrate at one of the core characteristics of a state-private partnership - namely, the fact that ownership of the assets remains at the disposal of the state. Although, if we turn to the term "ownership right" where no resource itself turns out to be owned, but the "beam" or some particular amount of rights towards resource use, then the ownership of the object of state-private partnership also relates to the private sector. Out of 11 elements of the "beam" a few ones can be

processed, such as the right of use, the right for income, the right for management.

On the other hand, based on economic property relations, according to which actual orders to use wealth in the interests of a particular economic subject, while the owner is not the one who administers the benefits, in order to meet the needs of the one who gives orders and uses benefits [3], the question of ownership can be eliminated. The owner appears to be the publicity, and from this point of view, it makes sense to talk about the state-private partnership.

In giving definition to such institution as a public-private partnership, we can assume that as the basis for it serves the right to manage property, not the name of the owner. Then, to our point of view, it would be appropriate to introduce the concept of regional-private partnerships and community-private partnership.

The essence of property management is reduced to four aspects [4]:

- Management of profits
- Cost management,
- Risk Management
- Expenditures management.

These 4 aspects, in our opinion, can also be applied to the management of regional and municipal property.

Among all management methods we would like to distinguish and underline above all the following ones: administrative, economic, legislative, regulatory, organizational [4]. Thus, the private sector gets the right to manage its own property (from 1 to all 4 aspects of management aforementioned above can be passed into its possession) at the process of application of economic and organizational management practices. Two other methods are not available to the private sector. Methods mentioned above are applied at 3 levels: federal, regional, municipal, meaning the application of the administrative method, as well as legislative and regulatory ones carried out by authorities at the level which allows them to manage their property according to the law.

So the right to manage property belongs equally to the state and the private sector (state-private partnership), the region and the private sector (regional-private partnership), the municipality and the private sector (municipal-private partnership).

Regardless of the differentiated approach towards determining the question of correctness of the term we are offering, the legal institute of

state-private ownership is used as a term that arose in wide political and scientific circulation.

Property rights, as we have defined above, belong to the community and the institute a state-private partnership can become the most effective institution for coordinating this type of economic activity.

Under the state-private partnership we understand the institution that brings together the necessary material and intangible resources of the private and public sectors within the predominantly long-term agreement with the aim to meet various public needs under the condition of efficient mutual risk sharing and being equal economic partners.

Let us consider the main features of state-private partnership in the region:

1. Social importance of projects being implemented with their help and assistance.

This feature reflects the fundamental idea of state-private partnership. It is the region's inability to fully meet the needs of the public sector that causes state authorities to seek the most effective solution.

Realization of state-private projects, as the international practice indicates, may be conducted in a large variety of socially important areas such as:

- Housing and communal services (operation of utilities: sewer, water, garbage, recycling, electricity);
- Transport (construction and operation of railways, highways, bridges, airports, ports, pipelines);
- Ecology and improvement (development and maintenance of city parks);
- Education (construction and equipment of schools);
- Social sector (construction and equipment of sports facilities and social clubs for children and adolescents);
- Welfare (construction and equipment of hospitals, clinics and other institutions of health care).

Of course, this is not an explicit list of branches and spheres of application of state-private partnership projects, but it illustrates which crucially important and necessary aspects of our lives are being covered by this cooperation. In addition to that, there is a need to underline the fact that all the main objects represented in the list of industries covered are the at the disposal and under the responsibility of the region. Thus,

the development of these particular branches of industry by combining the potential and capabilities of both state and private sectors of economy can be considered as the main argument in support of the state-private cooperation in the region.

Especially we would like emphasize control function of regional authorities, which can be apprehended as the separate characteristic of state-private partnership, namely in the situation when the region continues to be the ultimate guarantor in the supply of public services of sufficient quantity and quality and by the "fair" price.

2.State-private partnership, is above all, collaboration

State and private sectors are closely working together, spending equally enough of time and resources for accomplishing their goals and aspirations. Typically, for more effective implementation of a specific project the project organization is established, being represented by both members of public and private sector.

3. Accomplishment of mutual partner's objectives. The state in this partnership has one goal: to meet social needs relating to its responsibility. The goal is achieved by providing a cheaper public services by private companies with results-based management, advanced planning techniques and the ability to quickly implement innovation and improve efficiency. Main advantage of the country is the ability to reduce risk through their distribution among the partners of state-private partnership as a new tool in the reorganization of administrative influence.

The second party is private sector. As mentioned above, this sector is represented by a wide range of different economic entities. The main goal of any private company is to profit which at the same time is not the essence of the idea of state-private partnership. Why then private sector is interested in being a party of the state-private partnership? Today in our country private sector shows greater interest in this type of partnership than the state. Ideas do not come from the state and that is exactly private business that offers the state to collaborate with it as part of state-private partnership.

Motivation of the private sector in participating in such projects is not explained only by the interest of gaining profit. Active position of business in this issue constitutes to the pursuit of its own financial and material goals which can be divided into two groups: direct and indirect economic profit.

4. Diversification of risks. However, here as a rule the following condition must be maintained: making the decision is the responsibility of that party of the partnership agreement, that can do it with the greatest efficiency.

5. Long-time character of the partnership

Based on the basic forms of state-private partnership, which will be discussed in the next section, it is impossible to talk about long-term partnership. For example, the duration of various types of contracts may be limited to three years. However, we believe that long-term cooperation is one of the main features of state-private partnership due to the fact that most of the projects that are being implemented under this collaboration are targeted at large infrastructure objects.

6. Reducing financial pressure of state budget

The main ways to return invested funds back to the private partner are the following ones:

- The private sector charges costs for the use of services provided on its own behalf;

- Regional authorities refinance investments into the private sector of economy in the form of the loan;

- Mixed option: direct charging of the cost of services provided from consumers and with the help of finances coming from the regional budget.

In this regard, we would like to underline the special role of another participant of regional state-private partnership projects - regional residents, service users, which in all three aforementioned options are competent payers of both direct financial compensation of used services, or in the form of tax deductions.

Also, this group is the only target audience of any state-private partnership projects as the main object of regional policy. The following advantages of this collaboration to the inhabitants of the region apply:

- receiving quality services in the required amount for a fair fee;

- possibility of reducing the service fee by more rational management of the facility by the private sector;

- the state serves as the guarantor of the provision of services to the users, and controls the private sector in the process of setting up the rates. [5]

In addition to the above mentioned project benefits that users get as the result of collaboration between state and private business, one can also distinguish the so-called regional preferences. Here we are mainly talking about the benefit to

the public in two areas: project and regional one. At the regional dimension there are, for example, benefits such as the creation of new job places or improvement of the environmental situation in the region, contributions to the preservation of public health etc.

For the successful implementation of the state-private partnership projects there are a number of conditions required:

1) Participation of the private sector provides cheaper product of a higher quality, and also shortens the duration of the project. If this condition is not met, further co-operation has no basis.

2) Focus on the final product. In state orders usually so called approach of “input” dominates, which means that the state determines how and what should be done and what tools are available for meeting this goal. In state-private partnership projects, the deciding factor should be the end result. In this case the state no longer indicates in which particular way that result should be achieved. It only defines the purpose, the basic requirements and the quality of the final product.

3) Using the life cycle of the project. The life cycle of the project is the only concept that takes into account all the phases of its development from planning to evaluation of the results. Using this concept will provide a clear picture of expenditures at an early stage of planning.

4) The optimal allocation of risk. This requirement contains the fact that each individual

risk must be overtaken by the partner who has the best ability to control and influence it.

5) Mechanism of rewards, oriented on the outcome. The public sector pays only for what he actually gets. If the private sector reaches is all goals, he gets the full amount of financial compensation specified in the contract. If the private partner on the basis of new, more efficient technologies is able to reach any savings, then this costs are its own additional income. In case there are any deficiencies in the income value remuneration is then reduced.

6) Competition among private sector enterprises. The most effective implementation of the state-private partnership projects is being achieved because of the existence of competition among implementers. The state announces the tender and chooses the most advantageous offer.

Conclusions

In current Ukrainian realities the problem of underfunding of various sectors of the economy and the lack of “intellectual and managerial capacity” from the side of regional and municipal authorities is very actual.

As international experience illustrates, one of the most effective ways is cooperation with private sector, which is characterized by its versatility in terms of solutions of the problems of material and non-material nature, and the ability to use this mechanism in virtually all areas of its responsibility.

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