

PUBLIC-PRIVATE PARTNERSHIP: WORLD PRACTICE AND UKRAINIAN PERSPECTIVES

*Larysa Hrytsenko**

Abstract

The views of experts about the impact of public-private partnerships at the international image and competitiveness of the country are emphasized. The article reviews European experience of public-private partnership, main problems and perspectives of such cooperation in Ukraine. An importance of improving the mechanisms of public-private partnership for attracting investors to effective cooperation in the form of public-private partnership is grounded.

Keywords: Public-private Partnerships, Investment, Investment Project

**Ph.D, Finance Department, Ukrainian Academy of Banking of the National Bank of Ukraine*

Introduction

Analysis of the current economic situation in Ukraine shows the presence of many problems caused by global financial crisis. The state is concentrating all efforts on going out from recession, long-term loans returning to international financial institutions and its priorities executing. In such circumstances it is difficult to finance priority projects of the national responsibility towards the development of infrastructure, defense, and social services. Also state has to implement preliminary programs to the European Championship final tournament UEFA Euro 2012. Government tries to liquidate the lack of public funds through the involvement of credit or using fiscal measures. But another alternative solution of this problem is public-private partnership. International practice shows that such cooperation of state and private sector is effective and profitable for both sides.

Despite the newness of this problematic in Ukraine, economic science has accumulated enough experience analyzing public-private partnership. Some works about impact of such cooperation between the state and the private sector on the economy and functioning of business entities are present in works by M. Avksentev, who thinks that public-private partnership is a modern tool for infrastructure development. A. Holovinov examines the public-private partnership in the sphere of innovations. V. Tertytsya explores the concept of public-private partnership as an effective form of cooperation between business and government. K. Ratnikov and I. Trofimenko analyze Ukraine's achievements in the field of public-private partnerships and identify possible prospects for its development.

The study of public-private partnership problems deals Andreas Kappeler, Mathieu Nemoz, and Lukas Strauch. For example, both Andreas Kappeler (2010) and Mathieu Nemoz (2010) have explored the development of public-private partnership in Europe during several years. Lukas Strauch (2010) notes that in recent years, public-private partnership was viable with the help of infrastructure development innovative schemes.

The main goal of any enterprise is profit maximizing, which is often achieved by reducing payments of employees. The state, in turn, should worry about the welfare, promotion and development of the economy. One of the solutions' ways in this case is using the concept of public-private partnership (PPP), which can be defined as a form of cooperation of public authorities and private investors for the purpose of the infrastructure objects financing, construction, reconstruction, administration and maintenance.

In accordance with the Law of Ukraine "About public-private partnership" (2011) key features of this cooperation are: ensuring a high technical and economic indicators; long-term relationship (from 5 till 50 years); risk transferring by the private partner; prohibition on moving the object of PPP during the entire period of such partnership; making private investments.

1. Development of PPP in Europe

It should be noted that this form of cooperation is widely used in international practice, especially in Europe, in the process of socio-economic problems (Table 1).

Table 1. Development of PPP in Europe (1992-2010)

Year	Number of projects, unit	Investment, mln. US \$
1992	3	610,0
1993	1	454,0
1994	3	1148,4
1995	12	3264,9
1996	26	8488,2
1997	33	5278,0
1998	66	19972,4
1999	77	9602,6
2000	97	15018,5
2001	79	13325,3
2002	82	17436,2
2003	90	17457,1
2004	125	16879,9
2005	130	26794,3
2006	144	27129,2
2007	136	29597,9
2008	115	24198,0
2009	118	15740,3
2010	112	18300,9
Total	1449	270696,1

Note. Source: European PPP Expertise Centre, 2011.

PPP projects implemented in such spheres as: transport sector, education and health care, housing, telecommunications, recycling, energy sector and others (Tertytsya, 2011). Apparently, the number of PPP projects in Europe is quite large. During 1992-2010 it were realized more than 1400 projects with a

total capital cost about 270 billion euro. The activity increase in the implementation of projects observes since 2004, because of joining to the European Union of 10 new members. Also, the volume of investment under the contract is growing (Table 2).

Table 2. Investments under contract in Europe (2000-2011)

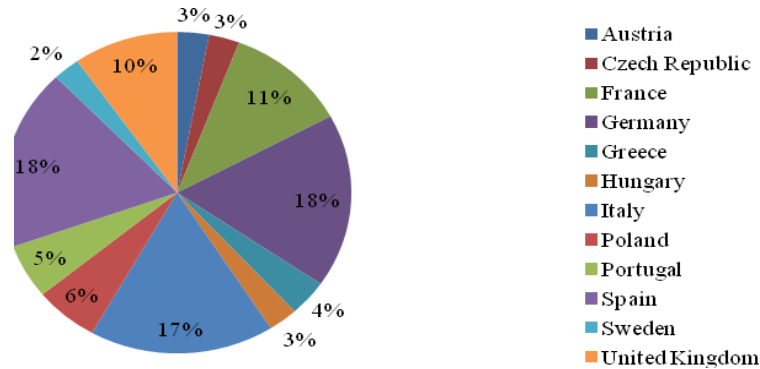
Country	Investment (in accordance with the contract), mln. euro
Austria	12784,4
Belgium	9856,9
Bulgaria	2428,5
Cyprus	1892,1
Czech Republic	12342,6
Denmark	6784,7
Estonia	1285,2
Finland	9036,7
France	49452,2
Germany	76464,8
Greece	15775,9
Hungary	11970,1
Ireland	5543,5
Italy	74703,4
Latvia	1782,8
Lithuania	1486,3
Luxembourg	1473,1
Malta	328
The Netherlands	9583,1
Poland	25928
Portugal	23843,4
Romania	6736,7
Slovakia	3288,1
Slovenia	3427
Spain	79687,3
Sweden	10918,1
The United Kingdom	42328,6
Total	501131,5

As can be seen in Figure 1, the largest share of investment under the contract is in Spain and

Germany (18%), Italy (17%), France (11%), Britain (10%). It should be noted that the largest proportions

of completed projects were in the UK (67.1%), Portugal (3.1%), Italy (2.4%) (Kappeler & Nemoz, 2010).
Estonia (10.1%), France (5.4%), Germany (4.9%),

Figure 1. Investments under contract in Europe, 2000-2011.



2. Investment projects by sectors in European countries

As can be seen from Table 3, mostly projects have been realized in such sectors as roads, mining, marine highways, construction and reconstruction of airports,

telecommunications, water supply and sanitation, energy. The largest share of projects and investment in these projects are observed in telecommunications and energy sectors.

Table 3. Number of projects and amount of investments by sectors in European countries (2000-2009)

Sector	Number of projects, unit	The share of projects, %	Investment, mln. US \$	The share of investment, %
Road sector (including construction of road, railway traffic, tunnels, bridges)	8	1.12	5841	2.24
Sea motorways	29	4.04	2470	0.95
Airports	29	4.04	8614	3.31
Telecommunications	303	42.26	162979	62.60
Water and wastewater	53	7.39	3853	1.48
Energetic	295	41.14	76576	29.41
Total	717	100.00	260333	100.00

3. Problems and perspectives of public-private partnership in Ukraine.

In general, Ukraine has a high potential for public-private partnership implementation. But at the same time constraining factors are the lack of a coherent government policy in the PPP sphere, the lack of flexibility for project participants in making key decisions, and the indifference of the state to encourage investors. In addition, the adoption of the Law of Ukraine "About public-private partnership" should spur development of such cooperation in the country. But we see that after this the state doesn't do any steps for the PPP development and improvement. In particular, competent authority responsible for PPP's public policy is not clearly established, centers for training in the field of PPP's does not created,

information base on this issue between the central and local authorities is not developed.

In the future, the development of the careful planning of projects, creating conditions for rapid attract investors and their capital in the economy, ensuring the state maximum distribution of risks and solving problems of interest in this area will promote the goal of public-private partnership effective development.

The cooperation of the state and private sector in the form of public-private partnership will help to create better conditions for the functioning of economic entities, development strategically important sectors of the economy, funding research and development work, innovation, advanced technologies, their implementation, achieving best technical and economic performance, provided potential for enterprise development, effective using

of available resources in the state, reducing budget expenditures on infrastructure and development priorities. Main areas of projects implementation include housing, water and wastewater, energy services, construction and maintenance of roads, development of health infrastructure. Main advantages of public-private partnership include: long-term relationships, reducing risks by their distribution among team members, combining the financial resources of different ownership forms, providing high quality, cheap and guaranteed services, protection of participants. Disadvantages of public-private partnership are wrong planning, the lack of private sector participation, the impact of state (adverse economic and political status, inadequate or poorly developed legal framework, etc.), the high cost of expenses over the prolonged period (duration of negotiations, contracts, supplies, materials, etc.). For attracting investors to effective cooperation and public-private partnership development, the government should improve the mechanisms of PPP, resolve main problems that hinder its development.

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