

УДК 338.24 (477)

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### **INSTITUTIONAL PROVIDER OF THE STATE-PRIVATE PARTNERSHIP IN UKRAINE AND ABROAD**

**Introduction.** *The article is concerned with the public-private partnership (PPP), which is being formed following the consolidation of efforts of state authorities, local governments and business structures. The paper examines the world practice of public-private partnership projects, their most common types in different countries. Such projects involve the interaction of central or local authorities and the private sector, based on a long-term service agreement traditionally provided by public/communal enterprises.*

**The purpose** of the article is to study the institutional provision of world experience of public-private partnership aimed at improving its development in Ukraine.

**Results.** *We have carried out the analysis of the possible interaction of public-private partnership within the system of modernization and innovative development of the agrarian sector of the economy, the author also took into account the current state, tendencies of agricultural development in Ukraine. The studies have shown that various methods, models, forms of state cooperation and agribusiness have become increasingly widespread over the last years. Public-private partnerships, which, depending on the nature of the tasks to be solved, can be divided into separate models, are more widespread, we consider. Accordingly, the objectives of public-private partnership distinguish organizational models, different models of integration, models of financing. The conducted studies allow to propose the most effective models of state-private interaction, aimed at achieving modernization and innovative development of agriculture. It was revealed that the main problem is the development of procedures and stimulation of processes that ensure the effectiveness of public-private partnership and the establishment of new institutions.*

*We systematized the basic normative acts regulating public-private partnership in Ukraine. Proposals have been developed that will increase the quantity and effectiveness of public-private projects implementation.*

**Key words:** *public-private partnership; public-private partnership projects; partnership between government and business; local governments; legislative and regulatory acts; investment activity.*

**JEL Classification:** *E 69, H 10, M 29.*

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### **ІНСТИТУЦІОНАЛЬНЕ ЗАБЕЗПЕЧЕННЯ ДЕРЖАВНО-ПРИВАТНОГО ПАРТНЕРСТВА В УКРАЇНІ ТА ЗА КОРДОНОМ**

*Стаття присвячена державно-приватному партнерству (ДПП), яке утворюється в результаті консолідації зусиль державної влади, органів місцевого самоврядування і бізнес-структур. У роботі досліджено світову практику застосування проектів державно-приватного партнерства, їх найпоширеніші види у різних країнах. Такі проекти передбачають взаємодію центральних чи місцевих*

органів влади та приватного сектору, засновану на довгостроковій угоді щодо постачання послуг, які традиційно надавались державними/комунальними підприємствами.

Метою статті є дослідження інституціонального забезпечення світового досвіду державно-приватного партнерства з метою удосконалення його розвитку в Україні.

Проведено аналіз можливої взаємодії державно-приватного партнерства в системі модернізації та інноваційного розвитку аграрного сектору економіки, автором враховувалися сучасний стан, тенденції розвитку сільського господарства України. Дослідження показали, що за останні роки все більш широке поширення набувають різні методи, моделі, форми співпраці держави та агробізнесу. На нашу думку, більш широкого поширення заслуговують державно-приватні партнерства, які в залежності від характеру вирішуваних завдань можуть бути розділені на окремі моделі. відповідно цілям державно-приватного партнерства розрізняють організаційні моделі, різні моделі інтеграції, моделі фінансування. Проведені дослідження дозволяють запропонувати найбільш ефективні моделі державно-приватного взаємодії, спрямовані на досягнення модернізації та інноваційного розвитку сільського господарства. Виявлено, що основною є проблема вироблення процедур і стимулювання процесів, які забезпечують ефективність функціонування державно-приватного партнерства та започаткування нових інститутів.

Систематизовано основні нормативні акти, які регулюють державно-приватне партнерство в Україні. Розроблено пропозиції, які дозволять підвищити кількість та результативність реалізації державно-приватних проектів.

**Ключові слова:** державно-приватне партнерство; проекти державно-приватного партнерства; партнерство влади і бізнесу; органи місцевого самоврядування; законодавчо-нормативні акти; інвестиційна діяльність.

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## **ИНСТИТУЦИОНАЛЬНОЕ ОБЕСПЕЧЕНИЕ ГОСУДАРСТВЕННО-ЧАСТНОГО ПАРТНЕРСТВА В УКРАИНЕ И ЗА РУБЕЖОМ**

Статья посвящена государственно-частному партнерству (ГЧП), которое образуется в результате консолидации усилий государственной власти, органов местного самоуправления и бизнес-структур. В работе исследована мировая практика применения проектов государственно-частного партнерства, их наиболее распространенные виды в разных странах. Такие проекты предусматривают взаимодействие центральных или местных органов власти и частного сектора, основанное на долгосрочном соглашении по поставке услуг, которое традиционно предоставлялось государственными / коммунальными предприятиями.

Целью статьи является исследование институционального обеспечения мирового опыта государственно-частного партнерства с целью усовершенствования его развития в Украине.

Проведен анализ возможного взаимодействия государственно-частного партнерства в системе модернизации и инновационного развития аграрного сектора экономики, автором учитывались современное состояние, тенденции развития сельского хозяйства Украины. Исследования показали, что за последние годы все более широкое распространение получают различные методы, модели, формы

сотрудничества государства и агробизнеса. По нашему мнению, более широкое распространение заслуживают государственно-частные партнерства, которые в зависимости от характера решаемых задач могут быть разделены на отдельные модели. Соответственно целям государственно-частного партнерства различают организационные модели, различные модели интеграции, модели финансирования. Проведенные исследования позволяют предложить наиболее эффективные модели государственно-частного взаимодействия, направленные на достижение модернизации и инновационного развития сельского хозяйства. Выявлено, что основной является проблема выработки процедур и стимулирования процессов, обеспечивающих эффективность функционирования государственно-частного партнерства и начала новых институтов.

Систематизированы основные нормативные акты, регулирующие государственно-частное партнерство в Украине. Разработаны предложения, которые позволят повысить количество и результативность реализации государственно частных проектов.

**Ключевые слова:** государственно-частное партнерство; проекты государственно-частного партнерства; партнерство власти и бизнеса; органы местного самоуправления; законодательно-нормативные акты; инвестиционная деятельность.

The question of public-private interaction in the system of the agricultural sector of the economy acts as the subject of active discussions in the studies of domestic and foreign scientists. The agrarian sector of economy carries out a special mission in national economy of any country, as well as in social development of any territory. Agrarian policy social significance manifests itself in sharp check to products prices, regulation of its marketing outlets, ecology protection, and therefore agricultural producers, notwithstanding the fact that they have been granted autonomy in market conditions, can not become full-fledged economic agents of the market as producers of other industries. Arising from fact that the pursued agrarian policy must be based on the mutual interests of the state and agribusiness, their strategic partnership. Agrarian policy as a system to meet the needs of the population in food based on the full and effective use of resources, is constantly transformed under the influence of a significant number of factors. It is important not only to produce agricultural products in the necessary volumes, but also to preserve and recycle it, to deliver qualitative food to the population of all regions considering its needs. That means, it is necessary to ensure sustainable development throughout the chain:

production - processing - transportation - storage - supply to the consumer (trade).

Studies have shown that during the recent years various methods, models, forms of cooperation between the state and agrarian business have become more widely used. Theoretical and practical aspects of the formation of public-private partnership are researched by such domestic scientists as Vakulenko V. M., Berdanov A. V., Sych N. A., Tkachuk A. F., Fediv I. O., Fishko Ye. O. The study of public-private partnership was carried out by the foreign scholars: Varnavskiy V. V., Mochalnikov V. N., Yefimova L. I., Mykheyev V. A., Manzhykova V. Ye., Korovin Ye. A., Otul L., Rebok V., Bondarenko Ye.Yu., Yakunin V. I. Following the adoption of the Law of Ukraine "On public-private partnership" in 2010, there is a considerable increase of scientific and practical interest in the mechanisms of its implementation in Ukraine and the analysis of institutional conditions of application abroad.

**The purpose of the article** is to study the institutional provision of world experience of public-private partnership with the aim of improving its development in Ukraine.

**Presentation of the main research material.** We consider that public-private partnership deserves more widespread use, which,

depending on the nature of the tasks, can be divided into separate types (models). In accordance with the goals of public-private partnership we distinguish organizational models, different models of integration, models of financing.

In economic and special literature, a public-private partnership means the association of tangible and intangible resources of a society (state or local government) and the private sector on a long-term basis for the creation of public goods (provision of amenities and development of territories, infrastructure) or the provision of public services (in the field education, health care, social protection). The most complete definition of public-private partnership is given in V. G. Varnavskyi's contributions: "Public-private partnership is an institutional and organizational alliance between state and business in the sector of industry, even in the sphere of services" [3]. However, in terms of the list of strategically important sectors, the author does not include here the agriculture and other sectors of the agrarian sector of the economy, while various forms of public-private partnership must develop precisely in these sectors, in the development of social and industrial infrastructure, in the implementation of recreational functions.

Another area that deserves to be more widespread in use is the concession agreements, distinguishing characteristic of which is that the state, represented by the regional authorities within the framework of partnership relations, while remaining the owner of the property subject to the concession agreement, authorizes the private investor to abide by the terms of the agreement, within a certain period of time, as agreed in the agreement of the function and gives him the appropriate powers necessary for ensuring the proper functioning of the concession facility. Therewith the concessionaire makes a payment for the use of state property, under the conditions stipulated in the concession agreement. Whereas the right of ownership of the products produced within a concession is transferred to the concessionaire.

Another area in the development of state cooperation and agribusiness is technological parks as an organizational and economic form of public-private support for innovative business. The common feature of all functioning industrial parks is that there are three sectors created within them (scientific, engineering and manufacturing and service sector). In some of them, the initiators of the establishment are agrarian universities, in others - research institutes. The main disadvantage of all created technology parks is the lack of a concept of attracting private capital for innovation activity in the economy agrarian sector.

The foreign countries economies use the mechanism of cooperation between the state and business in order to implement state functions for a long time. In particular, in the country-leaders in the field of public-private partnerships (including the United States, Great Britain, France and Germany), the process of accelerated implementation of the public-private partnership instrument began in XX century in the 70-80's. One of the reasons for such an interest in the development of this instrument is the lack of public funds to exercise its functions followed by the increase of government debt at the time [3]. Now, this tool is becoming increasingly popular in order to attract additional funding for the development of social and road infrastructure. For example, the investment into infrastructure of Great Britain in the framework of public-private partnership projects in 2011-2017 amounted to 23% of the total financing of infrastructure projects [3]. As at the beginning of 2018, there are 3604 projects [217] in the world that have been implemented, are implemented and planned to be implemented, using the mechanism of public-private partnership. Herewith 262 of them (7.3%) refused to implement the project, 25 projects (0.7%) were decided to be implemented on the basis of other mechanisms, 35 projects (1.0%) were frozen. Thus, there are 3272 of active projects of public-private partnership in the world as to the end of 2017, among which 1,668 (51,0%) are agreements signed, that is, they are in the stage

of implementation (investment/operational) or are already completed. Accordingly, it may be noted that the effectiveness of public-private partnership instrument is up to 86.4%. Under the effective use of public-private partnership instrument for genuine research we understand the number of successful public-private partnership projects (ongoing and implemented) in the total number of public-private partnership projects that were contracted (1668 / (1668 + 262)). In order to identify the main areas in which it is efficient to use public-private partnerships having regard to the world practice, we shall consider the composition of the implementation areas of 1,668 projects that have been successfully led to the implementation phase (or are completed).

Moreover, the expenses are borne both by the state, which carries out the structuring of the project, taking into account all needs and constraints, and the private organizations as well – the participants in competitions for the right to conclude public-private partnership agreements that assess their capabilities and prepare bids; - as a result of projects dimensions increase, their number in the social sphere decreases (in health care - by 3.4 times; in education - by 1.9 times in 2012-2017 versus 2000-2004). While in the roads development area we observe, along with the dimensions increase, the increase of number of projects upon which there were executed agreements - 1.9 times 2012-2017 versus 2000-2004. This situation is explained by the current structure of the world's infrastructure needs: according to a research conducted by Urban Land Institute company and EY company [4-5], the priority for the future investment in infrastructure is now called the update of public transport system, as well as of highways, bridges and pedestrian infrastructure. At the same time, the significance of social infrastructure renewal (which includes health care) is in the world lower for the foreseeable future (it is in the middle of the activity surveyed areas), which is explained by its satisfactory status from the standpoint of respondents participated in the above-mentioned research; - in Great Britain there

were implemented more than 95% public-private partnership projects in the social sphere (health, education) in 2000-2004; more than a third of the road transport business in the same period of British projects; by 2012-2017, the importance of Great Britain in public-private partnership diminishes, while in social spheres it remains significant (36.7% of PPP projects in education and 40.5% in health care), and in the roads area the Britain's dominance is hardly in evidence (herein 19.2% of projects are implemented in India, 8.2% in Great Britain and the Netherlands); - the number of countries using public-private partnership mechanisms has considerably increased; we note that in social sphere, public-private partnership projects in 2012-2017 are mainly implemented by developed countries, and in the road development area this mechanism is successfully applied to both developed and developing countries by 2012-2017. Given the foregoing, we note that the mechanisms of public-private partnership are used to implement socially significant projects in all areas traditionally related to the powers of the state. At the same time, priority areas of the world practice can include health, education, roads development, while usually solving problems in these areas requires the adoption of urgent measures. In addition, the mechanisms of public-private partnership are improving, which confirms the effectiveness and demand of these mechanisms in the implementation of socially significant projects. Thus, in view of the current world tendencies in the field of public-private partnership in planning and controlling this sphere, we consider it would be advisable to proceed from the following provisions: 1. the larger the project, considering the necessary financial expenses by this, the more justified the use of the mechanisms public-private partnership in view of optimizing the costs of preparation, structuring and bidding procedures for the project [6]; 2. due to the accumulation of experience in implementing projects under public-private partnership conditions, the scale of projects is growing; 3. when selecting projects, the main reference point should be the

immediate needs of the entire territory, which can not be satisfied with the funds available to the state [7]; 4. world experience shows that public-private partnerships are effectively used to implement all public authority, but health, education and transport infrastructure are among the top priorities [7]. However, in addition to the general tendencies of the development of one or another phenomenon there are peculiarities of its development in each territory, due to differences in the characteristics, conditions and priority of the respective territories.

The first successful private-government partnership experience was gained in 1943 in the city of Pittsburgh, Pennsylvania state, in the implementation of the urban public infrastructure project, which completely transformed the urban landscape of the city. In future, public-private partnership quickly spread not only in the urban development area, but also in municipalities development area. In European countries, the development of public-private partnership started to proceed somewhat later, but also mainly in the urban development area, whereupon the initiative of such a partnership always came from the authorities. Later on, the scope of the forms of public-private partnership has expanded, and nowadays, all around the world, the development of rural areas is supported by a private-public partnership, which focuses mainly on the organic agriculture development, the use of forest resources, certification of environmental products, rural tourism development etc. At the present stage, using the previous international experience of the public and private sector cooperation in the rural development projects, the following new directions are being developed: 1. Improving the conditions for the production development and the improvement of infrastructure for attracting investment. This type of cooperation refers to activities related to joint investments and projects: infrastructure construction; education and enlightenment within management area promoting organizational skills, etc. For many developing countries, these areas of public-

private partnership are used to a large extent to address specific issues of large-scale infrastructure development projects in agriculture, for example, the development of a land property institute, improved access to land and resources, construction of irrigation systems, roads and etc. Promotion of agricultural production (access to the market and access to new technologies). This type of public-private partnership focuses on establishing contacts and cooperation that leads to more effective use of applied research, the development of innovation, the transfer of knowledge and new technologies to agricultural production, increase access of rural citizens to new products and services, promote innovation in the production of products food and agriculture as a whole. In addition, the private-public partnership promotes the production of agricultural production to world markets, allowing them to sell products on more favorable trading conditions (for example, joint ventures form production chains, build joint best processing facilities, wholesale trade, etc.). 2. Improving the quality of life in rural areas, ensuring access to social infrastructure. Implementation of projects in this direction has allowed to develop a private-state partnership in such socially important areas as medical care in rural areas, education of rural residents, social assistance for the elderly. The private sector is actively involved in retraining the rural labor force to the needs of the market etc. 3. Development of rural areas economy, based on the use of existing local natural, cultural and historical resources. European entrepreneurship support programs are aimed at stimulating the development of a non-agricultural economy. Local authorities have developed a regulatory framework and have created a favorable investment environment for attracting investment in rural tourism and related services, that is, privately owned state projects aimed at preserving and managing natural resources. There is an interesting experience of "Leader" program in the European Union, adopted in 1996, with 10 points for agricultural development. The aim of this program was to

unite the efforts of all stakeholders in the development of rural areas (agencies, committees, foundations, private entrepreneurship), as well as the involvement and active participation of the local population. Local development strategies should have facilitated the implementation of activities in three key areas: Leader's programs were aimed at improving and modernizing manufacturing technologies and other rural services, strengthening the market for local products, and creating horizontal and vertical links between the producers. In recent decades grants have received special spread. Grants are the most common form of the projects and programs financing, they are distinguished both by state and public funds. The EU's experience of implementing the "Leader" program proved its effectiveness, so when local communities are mobilized, they are more actively involved in the development of rural areas, are actively involved in local planning and management processes, innovate and change with great enthusiasm. Thus, the world experience of the public-private partnership has so far been rather large, and already accumulated certain advantages in choosing specific forms and mechanisms of partnership between the state and private business in certain areas, therefore, the analysis of this experience is of great importance for the establishing a public-private partnership in Ukraine.

The interesting experience has Great Britain, wherein the private business itself has built a public facility at its own expense. In this case, the compensation of expenses of the private investor was carried out later whether at the expense of operating income, or at the expense of payments from the budget. In many cases, the private realization of projects of a financial initiative, the investor was involved into further exploitation of the object and organization of its activities. This initiative is being implemented at the facilities construction of infrastructure (including roads and railways), schools, hospitals, etc. At the same time, in the world practice of public-private partnership development, concessions are clearly

dominated by various forms of manifestation. Thus, according to the International Bank for Reconstruction and Development (IBRD) in the developing countries and countries with economic system in transition there are accrued for over 66% of awarded state contracts in the field of transport infrastructure (railways and roads, ports, airports) to the concessions account. To date, most concession contracts consist of road infrastructure objects (toll roads, bridge crossings, tunnels, etc.). This is due to the possibility of widespread involvement of private capital into financing the highways construction. Naturally, for private enterprises, the main principle of financing is payback, and this principle could only be met by introducing a mechanism for travel charging on a road object. At the same time, highways represent the most important part of national or regional infrastructure and should therefore remain under state control. Due to this, the idea of applying for the implementation of projects for the construction of road facilities of a concession scheme was widely developed. The state and concessionaire shall determine the nature of rights conferred by the state to the concessionaire, the term of the concession, the procedure for establishing and reviewing the fare, the amount and procedure for payment by the concessionaire of royalties or bonuses to the state, the procedure and conditions for repayment of state loans (or loans guaranteed by the state) to the extent that the loans were issued to the concessionaire, the concessionaire's obligation of transferring the road on free of charge basis to the state after the expiration of the agreement and the other conditions. Traditional demand is also a high quality road. The state encourages the organization of large concessionary firms, which control not one road object, but a network of roads, bridges, tunnels, etc. In this case, a concession firm with priorities or even an exclusive right to construct and operate toll roads performs mainly organizational (in fact general) functions and involves various contractors for specialized work. For example, in Italy, which is characterized by the highest

proportion of toll roads in Europe, 50% of motorways are transmitted by the state in concession.

**Conclusions.** As a result, it may be noted that the necessity of public-private partnership arises, first of all, in those areas for which the state traditionally bears responsibility: objects of general use (transport, communal, social infrastructure, cultural objects, historical monuments and architecture, etc.), so-called public services – repair, reconstruction and maintenance of objects of common use, cleaning of territories, housing and communal services, education, health care. The state usually can not completely abandon its presence in these areas economy, and thus stimulated to maintain control either over certain property (to stay the proprietor), or over a certain type of activity. In any case, it requires the financing of expenditures at the expense of the corresponding budgets. Thuswise, the partnership requires an adequate improvement of the contractual mechanism itself, including guarantees of compliance by the parties with their obligations, mechanisms for the division of risks and distribution of income. On the part of state, it is necessary not only to provide budget allocations (investments under joint projects, grants, grants, etc.), various kinds of preferences, including tax privileges, but also to provide a serious control over compliance with the objectives and conditions of projects. This control is particularly relevant at present, when all types of partnerships change from traditional infrastructural areas, and especially the

construction industry to the social infrastructure sectors.

In respect of the successful implementation of mutually beneficial organizational and economic relations of the subjects of the economy agrarian sector, the following conditions should be observed: - the social orientation of the cluster participants relations in terms of the most complete satisfaction of country population needs of the national production food staples, increasing the living standard of the population and increasing its interest in effective labor, employment of rural workers, development of social infrastructure; - effective use of production potential, as well as balanced development of all branches of certain spheres of food subcomplexes on the basis of modernization; - observing the interests of all members of the cluster by constantly monitoring and regulating the mechanism of income distribution in order to ensure material interest succeeded by the result of activities of both the whole formation and its structural divisions in conjunction with each employee; - material and moral responsibility of the participants of the economy agrarian sector, which is expressed in the imposition of fines and other sanctions for non-fulfillment of contractual obligations; - state regulation of the parity of prices and tariffs for products and services of the economy agrarian sector and other sectors of the national economy, streamlining of tax payments to the budgets of all levels, implementation of budget support for the development of the agrarian sector of the economy, etc.

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