

PRACTICAL EXPERIENCE OF THE PARTNERSHIP PROJECTS IMPLEMENTATION IN UKRAINE

The World Bank Commission recognizes the project registration system in Ukraine as fragmentary [0]. In addition, the general interpretation of partnership projects in Ukraine, as in many other countries, is ambiguous. These make it difficult to get an accurate figure on the number of signed program agreements that are implemented on a partnership basis.

According to the World Bank data on implementing partner infrastructure projects (involving the private sector) [0], 64 projects were implemented in Ukraine for the period 1998 – 2018 with a total funding of \$5303.06 million, of which 91.2% makes private investments. Government fees for projects (amounts paid by a private party for the right to develop a project or paid for the sale of an asset) totaled \$1699.52 million.

These projects are implemented on a partnership basis with the participation of a private company or investor, with the latter bearing a share of the operational risk of the project. That is, the private sponsor is at least partially responsible for the transaction costs and the risks involved. This can be done by obtaining the right to work alone or jointly with a public institution or by owning a stake in the project. Private parties have at least 20% participation in the project contract (in some cases, at least 5% of equity is owned by the private party). Projects aimed at the direct or indirect service of public facilities should realize a significant proportion (20%) of the output to the public under the contract with the utility company.

In Ukraine, infrastructure projects with private participation more often cover the territories of individual regions. However, many projects cover larger territories and have national focus. Usually such contracts are concluded at the state level.

The main sources of revenue for the infrastructure projects in Ukraine for the period 1998 – 2018 were: guaranteed payments from the state; payments under purchase agreements with public agencies; user; and sales revenues in the wholesale market.

The state may provide direct or indirect support to projects.

With direct government support, the government undertakes to cover the cost of the project, in cash or in natural form. It can be a fixed or variable payment, by installments or all at once, depending on the formula. Projects implemented in Ukraine received direct state support in the following form: income subsidies (cash subsidies to support the private party to reimburse their investments during the operational phase of the project) and capital subsidies (cash subsidies for the capital

investment of the project, i.e. to cover the costs of physical assets during construction).

Indirect government support is either contingent liabilities (which depend on a predefined event) or government policy that supports investment. Projects implemented in Ukraine received indirect state support in the following form: payment guarantees (when the state agrees to fulfill the obligations of the buyer (usually a state-owned enterprise) in the event of default by the buyer (purchase agreements)); exchange rate guarantees (when the government protects a private organization against fluctuations in local currency value); and revenue guarantees (when the government sets a minimum income for a private operator).

In addition to government support, some projects have received financial support from international organizations. This support came in the form of guarantees, loans, syndications and risk management, including political risk insurance.

According to the Ministry for Development of Economy, Trade and Agriculture of Ukraine [0], at the beginning of 2019, 189 agreements were concluded, which are implemented on a partnership basis in the territory of the state (without agreements that were implemented in territory not controlled by Ukrainian authorities).

Study of the development of the partnership agreements in Ukraine allowed making the following generalizations.

There is a moderate increase in the number of agreements concluded for the implementation of projects on a partnership basis. At the beginning of 2019, the number of such agreements increased by 70.3% compared to 2012 and by 4% compared to the previous year.

The most common form of partnership agreements is concessions (on average 80.6% of such agreements were concluded in the territory of Ukraine from the total number of contracts implemented on partnership basis). Joint venture agreements are also quite common (they take 19.3% on average over the period 2012 – 2017). In addition, 1 public-private partnership agreement (about 0.2% of the total number of projects) was concluded.

Of the 189 agreements concluded (as of the beginning of 2019), only 58 are being implemented, representing 30.1%. Of these, 42 agreements were concluded in the form of concessions, 15 – joint venture agreements and 1 – public-private partnership agreement. Among the reasons for non-performance of the agreements are the following: expiration of the contract

(4 agreements), termination (14 agreements) and suspension (113 agreements).

In terms of regions, the leader in the number of concluded agreements is Poltava region (114 agreements), but 109 of these agreements are not being implemented. Then, the leader in the number of concluded agreements that are being implemented is the Mykolaiv region (it implements 15 projects, 14 of which are implemented within the framework of the concession, and 1 – within the framework of the joint venture agreement).

Among the economic activities in which the above agreements are implemented are the following:

- 1) collection, purification and distribution of water – 25 projects or 43%;
- 2) production and transportation of natural gas – 12 projects or 21%;
- 3) construction and / or operation of motorways, roads, railways, runways at airfields, bridges, overpasses, tunnels and subways, seaports and river ports and their infrastructure – 7 projects or 12%;
- 4) generation, distribution and supply of electricity – 3 projects or 5%;
- 5) real estate management – 2 projects or 3%;
- 6) search, exploration of mineral resources and their extraction – 1 project or 2%;
- 7) healthcare – 1 project or 2%;
- 8) tourism, recreation, culture and sports – 1 project or 2%;
- 9) waste treatment – 1 project or 2%;
- 10) other – 5 projects or 9% of the total number of projects that are being implemented.

A list of potential state property concession projects is currently being drafted in Ukrainian legislation [0]. Among them, there are: 13 objects that can be specially built in accordance with the terms of the concession agreement to meet public needs, 2 unfinished construction projects and canned objects that can be built for the purpose of providing services for public needs, as well as 26 objects that are integral property complexes or a system of integral property complexes.

In terms of economic activity, these potential projects belong to the following areas:

- 1) seaports (exploitation of seaports and their infrastructure) – 19 objects that are integral property complexes;
- 2) roads (motorways and road services) – 13 projects related to objects that can be specially built under the contract);
- 3) tourism (architectural monuments of national importance) – 3 projects that represent integral property complexes providing comprehensive services;
- 4) wind electricity (wind power plants) – 2 objects that are unfinished and canned facilities that can be built to be used to provide public services;
- 5) coal mines (search, exploration of mineral deposits and their extraction) – 2 objects that are integral property complexes;
- 6) heat supply (production, transportation, transmission, distribution and supply of electricity, steam and hot water) – 1 object, which is a integral property complex;

7) airports (operation of airports, runways at airfields) – 1 object, which is an integral property complex.

The largest number of current potential concession projects are located in the Odessa region (seaports and their infrastructure and highways) and the Kyiv region (seaports and their infrastructure, highways and airports).

It should be noted that according to the World Bank [0], some of these projects are already under implementation.

Among the most significant problems of public-private partnership projects implementation are the following.

Much of the assets that are planned to be built under partnership agreements are not attractive to private investors because of the high level of wear and tear, the need for significant financial investments and the unclear timing of profitability from their operation. The state customers cannot provide tax or customs benefits for private partners. Difficulties in obtaining permits for private partners required to execute the agreements, lack of applicable rules governing the conditions for payment to the private party of compensation in the event of the state's failure to fulfill its obligations under the contract. High level of corruption, which reduces the attractiveness of the partnership for both domestic and, especially, foreign investors, which also increases the cost to businesses [0].

In addition, public servants involved in public-private partnerships are not sufficiently motivated to start such projects, and businesses, in turn, are also little aware of the benefits of using a public-private partnership mechanism.

List of references

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