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THE WORLD EXPERIENCE OF PUBLIC-PRIVATE PARTNERSHIPS

Abstract

The development of market of Public-Private Partnerships in the world is analyzed. Experience of leading European countries with PPPs is considered. The necessity and application of Public-Private Partnerships to achieve socio-economic prosperity of Ukraine is proved.

Key words: Public-Private Partnerships, number of projects, investment, sector, European countries, world

Introduction

Problems of attracting private capital to invest in industries, which have traditionally been funded from the state budget, are the focus of most researchers developed countries. The last 20 years we have seen the rising of power of Public-Private Partnerships (PPPs) as a means of crowding in investment and expertise from the private sector to the delivery of public goods and services. PPPs are a mechanism that modern governments regularly turn to in order to fulfill their responsibilities on public infrastructure and services, widely utilized because of their purported advantages in off-budget funding. This trend continued after the 2007–2008 global financial crises that see many jurisdictions strapped for cash and seeking alternative methods of meeting the increasing demands for investment in public sector development.

Problem and methods

Using public-private partnerships as a mechanism for financing of priority sectors in different countries covered in the works of scientists from different countries, numerous statutes, legal documents, software and analytical instruments, OECD, the European Commission and others. Great attention to problems and

prospects of Public-Private Partnerships development was paid by such scientists-economists as Delmon J. [6], Grimsey D. [7], Lewis M. [7], Luis A. [8], Yescombe E.R.[9] and others.

So much attention is paid to problems of the theoretical aspects study in PPPs, the analysis of PPPs` models, especially their implementation in specific areas of management. The goal of this research is to analyze the world experience of Public Private Partnerships basing on to find out necessary conditions for efficient and successful PPPs` implementation in Ukraine.

Results and discussion

Almost all developing countries have undertaken Public-Private Partnerships in infrastructure since 1990. In the 20 years between 1990 and 2011 there were more than 5000 PPPs` contracts which combined capital value in excess over 1650 bln.US\$ (Figure 1). Differences across regions and sectors have nevertheless been significant and provide valuable policy lessons from the PPP experience.

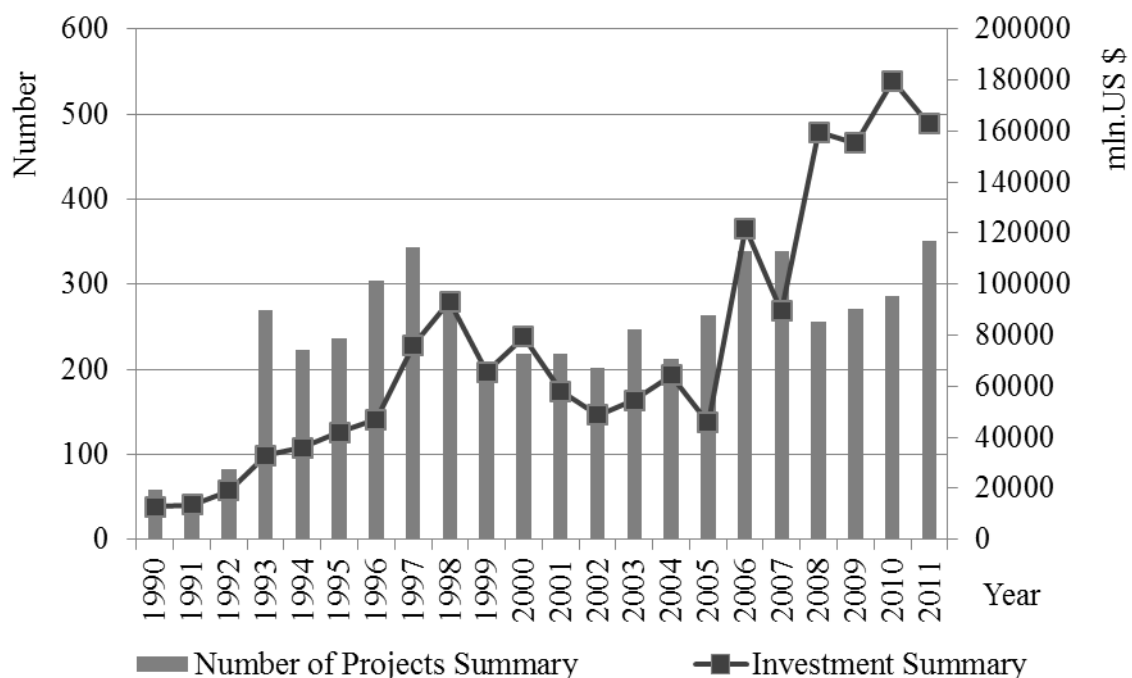


Fig 1. Number of PPPs projects and investments in the world, 1990-2011

Source: <http://ppi.worldbank.org/>

Infrastructure projects involving PPPs are now have been steadily increasing. Just as the growth of PPPs was universal, so too has been the decline: all regions and sectors have been affected. Investments continued to rise in all sectors from 2007.

Global trends indicate a rapid development of the PPPs, especially in areas that contribute to the development of the knowledge economy in the country. This confirms the dynamics of PPP`s financing in the world (Table 1). In 2010, leaders in the amount of private funding are China and India (13.9% and 13% of the total, respectively), Russia (4.8%) and Brazil (3.9%). These countries showed high rates economic growth in the pre-crisis period. However, total funding in countries with middle income (lower middle income) is significantly lower.

Table 1

Top 10 countries by PPPs` development, 1990-2011

#	projects (amount)		investment (US\$ million)	
1	China	1018	Brazil	325537
2	India	605	India	273433
3	Brazil	550	Russian Federation	120783
4	Russian Federation	334	China	116399
5	Argentina	208	Mexico	109265
6	Mexico	200	Argentina	87423
7	Colombia	140	Turkey	77198
8	Chile	126	Philippines	5432
9	Turkey	118	Malaysia	54104
10	Thailand	112	Indonesia	50768

Figure 2 compares the regional and sectorial distribution of PPPs by the number of projects. In terms of distribution, the energy sector remains the dominate sector across all regions of the world, where from 1990–2011 it represented 45% of the number and 35% of the value in PPPs. Transport have large share in total amount, contributing 27% of the total PPPs numbers and 11% of total value. One half of this investment has gone into toll roads, with the rest in railways, seaports and airports. PPPs in the water and sewerage have shown a steady decline. In the water and sewerage sector, the relative scarcity of projects stems from both host government reticence and a lack of investor interest.

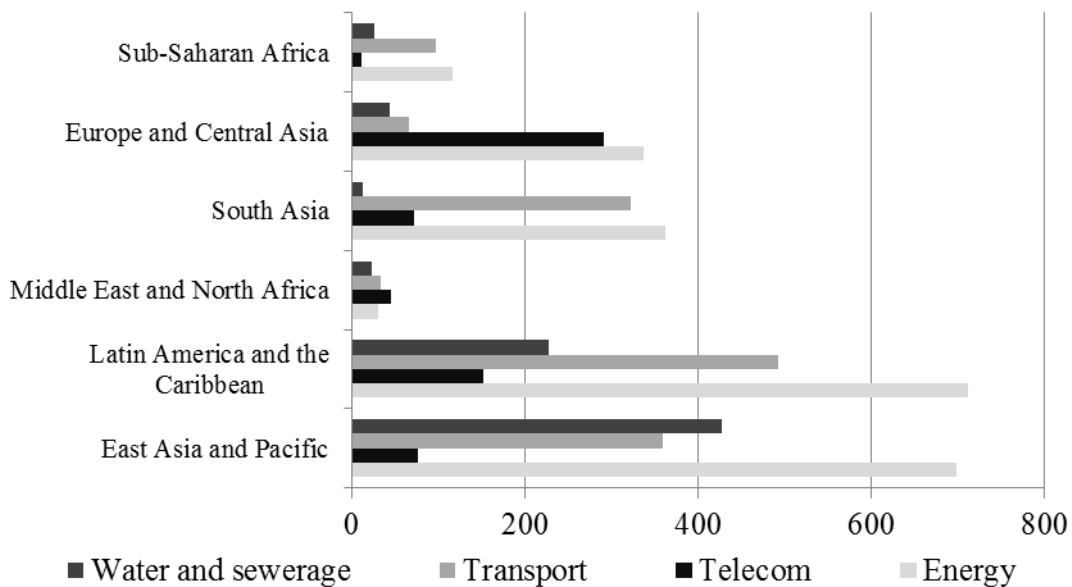


Fig 2. Distribution of PPPs` projects by sectors and regions, 1990-2011

Unlike in telecoms and energy, Greenfield project and concessions are by far the most important form of PPP in this sector, owing partly to the political sensitivity of transferring public assets to the private sector (Figure 3). In the 1990s, three quarters of toll road concessions involved expansion or rehabilitation of existing roads rather than the construction of new networks. Divestitures have been rare and have mostly occurred in China where minority stakes were sold in several state-owned toll road companies in order to finance future road construction.

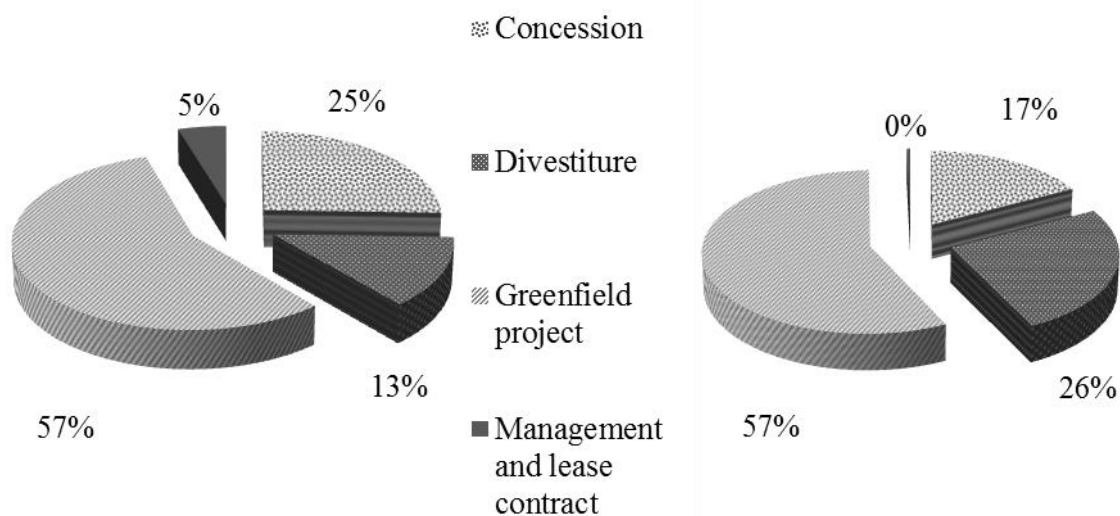


Fig 3. Proportion of PPPs` projects by types in the world, 1990-2011

Also European countries actively participated in the financing models of Public-Private Partnerships (Fig.4). In 2011, the value of PPPs transactions reaching financial close in the European market totaled 17,9 bln. €. As Figure 1 shows, 2011 was roughly in line with 2010 (18,3 bln. €) [1, P. 1].

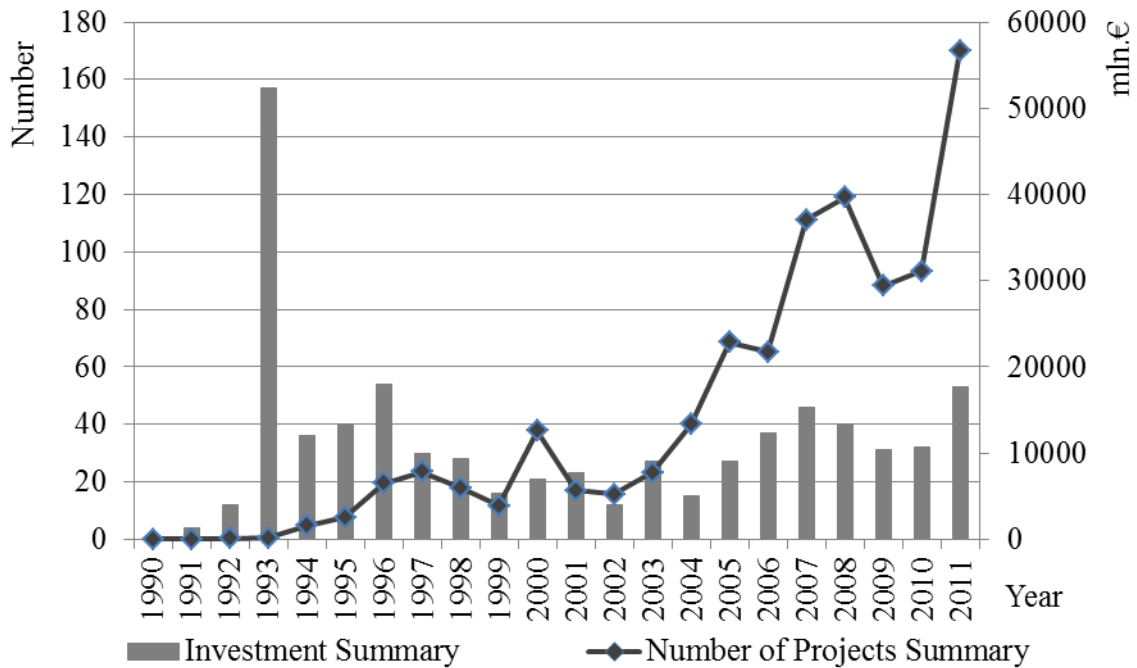


Fig 4. Number of projects and investment with private participation in Europe and Central Asia, 1990–2011

Source: <http://ppi.worldbank.org/>

In contrast to the global trend in European funding and number of projects related to the development of telecommunications and transport, are very low. Figure 6 shows that, with 23 projects, the education sector recorded the highest number of projects. In 2011, the education sector witnessed a significant reduction in deal number (38 in 2010) and in value terms (1 bln. € in 2011 compared to 3,5 bln. € in 2010). The significant share in the financing of education indicates a need for understanding the development of the knowledge economy, although the government's actions in this regard are not comprehensive and consistent.

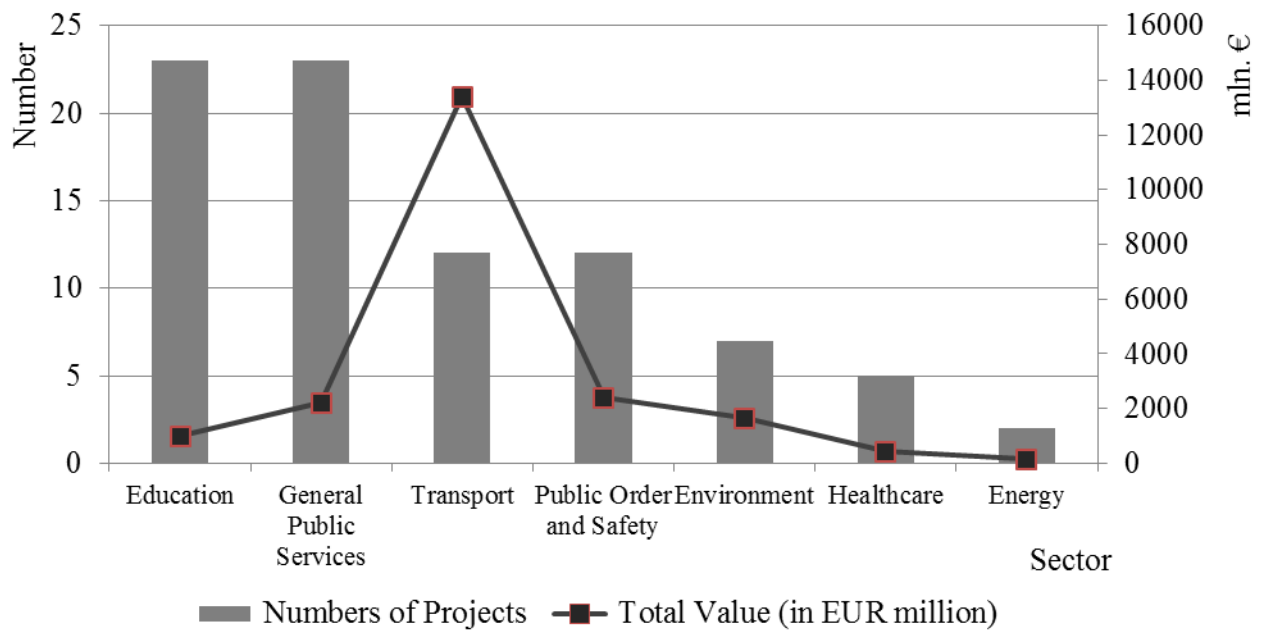


Fig 5. Sector Breakdown in by Value and Number of PPPs` Projects in 2011

The number of transactions closed in the general public services sector increased from the previous year. This sector accounted for 11% of the total market value (7% in 2010). Transport remained the largest sector in value terms, accounting for 58% of the total market value. Only 5 PPP transactions reached financial close in the healthcare sector, for a value of 608 mln. € in aggregate. In the environment sector, 7 waste management projects reached financial close for a total funding requirement of 140 mln €. Only 1 project was outside the UK. No telecoms PPPs reached financial close in 2011. 5 transactions closed in this sector in 2010 [1, P. 3].

As Figure 6 below shows, France dominated the 2011 European PPP market in value terms, overtaking Spain and the UK who led the market in 2010. France alone accounted for 62% of the overall European market value.

The role of governments and public financial institutions (domestic or supranational) remained significant in 2011 as a number of PPPs transactions benefited from their funding and guarantee commitments. The EIB for example financed 10 PPP projects for a lending volume of 3,6 bln. € [1, P. 1].

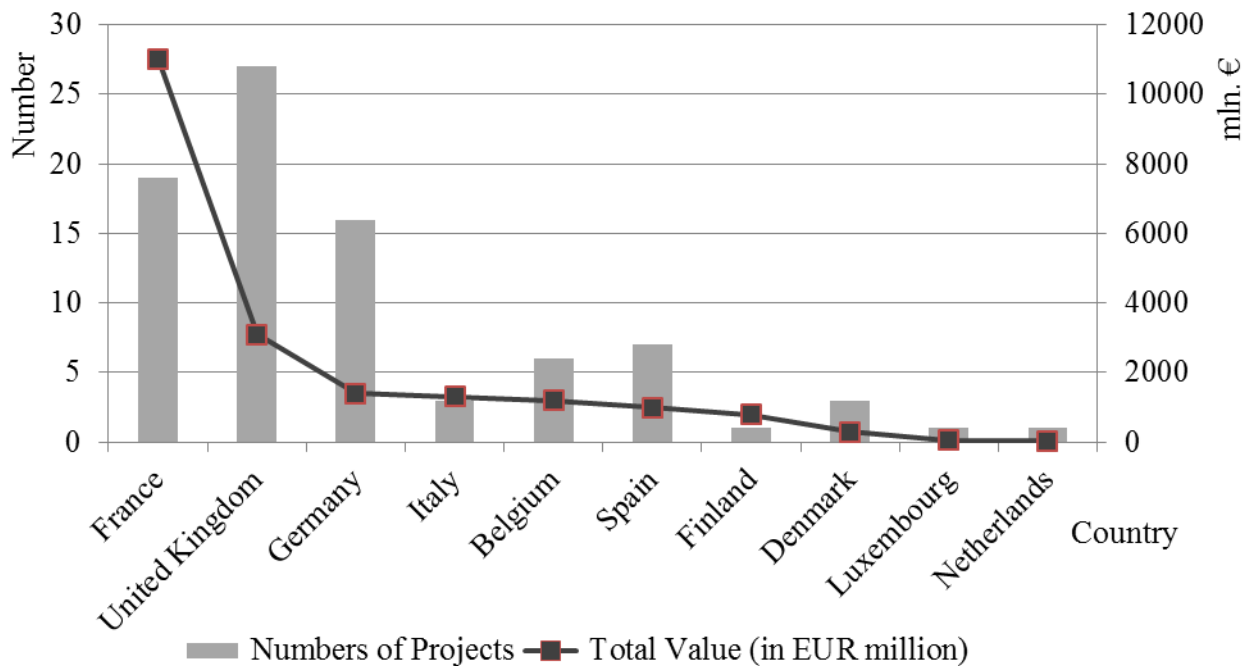


Fig.6. Country Breakdown by Value and Number of PPPs` Projects in 2011

Conclusion

PPPs have provided a principal vehicle for investment in to public utilities and infrastructure in developing countries, with OECD-based multinational enterprises participating in most of the largest PPPs in this area. Almost all developing countries have engaged in Public-Private Partnerships in infrastructure since 1990 – albeit a number of them have relied on forms of PPP that allows a transfer of private expertise without actually mobilizing funds for investment (e .g. service agreements and leasing contracts). Rich experience of foreign countries, supported by diverse forms PPP has become a significant support and platform for the implementation mechanisms of interaction between government and business in Ukraine. Orientation event in conjunction with great potential of our state will ideal way to develop this truly promising direction and give huge advantage over population of Ukraine.

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