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ANALYSIS OF THE EFFICIENCY AND EFFECTIVENESS OF THE
IMPLEMENTATION OF PUBLIC-PRIVATE PARTNERSHIP IN UKRAINE

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Public-private partnership (PPP) is an important tool for infrastructure development and improving the quality of life of the population. This allows the state to attract investments and expertise of the private sector, reduce the burden on the state budget and ensure effective management of state and communal facilities. Also, PPP ensures more efficient use of resources and accelerates the development of projects.

The justification of directions for the development of public-private partnerships in Ukraine is a relevant topic for research, since the successful implementation of such projects can improve the country's infrastructure, stimulate economic development, and ensure an increase in the standard of living of citizens. In addition, in connection with the changes in the legislation on public-private partnership in Ukraine, the study of directions of its development can be useful for practitioners, government bodies, business and the academic community.

The purpose of this study is to conduct an analysis and substantiation of specific areas of development of public-private partnership in Ukraine with the aim of increasing efficiency, economic growth and ensuring sustainable development of the country.

One of the key signs of the successful development of PPPs in Ukraine is the completion of their projects. Not all concluded PPP agreements are completed,

because some of them may not have realistic plans or face unforeseen obstacles, which leads to their non-implementation.

Returning to the statistics of central and local executive authorities in Ukraine as of January 1, 2023, we conclude that 84 % of concluded PPP agreements are not implemented, remaining only a declaration of intent (23,95 % terminated and 60,4% of those not implemented), as well as 6,7 % suspended in connection with the armed aggression of the Russian Federation [1].

An example of a failure in the implementation of a concession project is the construction and operation of the Lviv-Krakowets public highway of state importance, to which the Transmagistral concern had the right to a concession according to the contract concluded in December 1999. However, the project was not successfully implemented due to a number of factors, such as insufficient government funding, the concessionaire's lack of own resources, and the unavailability of loans.

After the announcement of the second tender for the concession in 2015, the applications of both applicants (Ukrainian consortium «Concessional Transport Highways» and the French company Bouygues) were rejected, as they could not provide the necessary financing for the construction of the concession facility either at their own expense or due to the funds raised.

Nowadays, thanks to the support of the World Bank, the Ministry of Infrastructure of Ukraine has developed a new project of the concession road M-10 «Lviv – Krakow». This project involves a toll road and is part of the second stage of the GO Highway project, which is a transnational transport corridor and involves the construction of an autobahn from Kraków to Odesa.

The main reasons for the failure of this PPP project are as follows: before concluding concession agreements for the construction and operation of public roads, a preliminary inspection and evaluation of the object is carried out. These works are usually carried out by foreign companies with a high international reputation, chosen by the grantor, such as the European Bank for Reconstruction and Development or the International Bank for Reconstruction and Development.

However, the methodology they use for evaluation and design is harmonious for the economic and legal systems of developed countries, but does not take into account the specifics of a transitional economy with its imperfect legal system. For example, economic calculations assume that the road, which is the object of the concession, will be economically justified for use. However, this can have an anti-social economic effect, as the projected cost of travel becomes unaffordable for the majority of the low-income population. This negative consequence of the concession demonstrates the need for more detailed consideration of social aspects when evaluating road construction concession projects; one of the main indicators that determines the suitability of an infrastructure object for a concession is its potential load level. Despite this, all facilities offered by the Ukrainian state for concession have low potential occupancy. This leads to significant difficulties with the payback of the private partner's investments, the payback terms may exceed the traditional 25 – 30 years and be delayed by 50 years. Such a payback period actually complicates the concession due to economic impracticality for a private partner-investor.

In its 2013 analytical note, the National Institute for Strategic Studies identified the priority directions for the use of the PPP mechanism in Ukraine, which cover not only economic, but also social problems. These areas include: construction of new roads and reconstruction of existing ones under concession conditions, since more than 90% of domestic roads need repair, and for the economic development of the country, more than 4.5 thousand km of new roads need to be built, which exceeds the possibilities of the state budget; development and modernization of housing and communal facilities, including implementation of energy-efficient technologies and improvement of drinking water quality; geological exploration of deposits and extraction of minerals, which will reduce Ukraine's dependence on energy imports; joint projects in the humanitarian sphere, such as education, science, ecological tourism, recreation, protection of monuments of cultural and natural heritage and construction of recreation areas; renewal of the material and technical base of educational institutions and repair of objects of cultural and historical heritage; the development of nature reserves and natural landscape parks depends on combined

financing from private investors who are interested in the development of the tourism business; popularization and implementation of projects aimed at supporting a healthy lifestyle, conducting large-scale sports events and forming environmental awareness among the population, including the culture of resource conservation and rational waste management.

In Ukraine, where the economy is focused on the production of raw materials, PPP projects usually concern the extraction, processing and transportation of these raw materials. The only exception is energy service contracts (ESCO), which are related to the operation of housing and communal services and the use of energy resources. However, this is not the result of the consistent development of the PPP legislative framework, but instead is the result of the direct transfer of the international law on ESCO contracts to the legal field of Ukraine by means of a «cover».

When comparing these directions with the existing distribution of public-private partnership agreements (projects) by types of economic activity, it should be noted that there are gaps in some sectors of PPP development. During the 7 editions of the Law of Ukraine on PPPs, several attempts were made to eliminate them.

As you can see, in the 3 years since the adoption of the PPP Law (from 2010 to the present), the list of PPP areas has expanded significantly. This shows that the state is not able to solve the development problems of these spheres on its own, and is looking for new ways and resources to solve them based on partnership with the business sector. However, the real situation is somewhat different from this view.

PPP in Ukraine is concentrated in the following areas (2021 – 2023): water collection, purification and distribution (28 – 33%), production, supply, transportation and distribution of natural gas (0 – 21%), infrastructure (8 – 11%). A significant increase in indicators in the field of production, distribution and supply of electric energy (8 – 30%) is due to the full-scale invasion of russia, the war, namely rocket attacks on the energy system of Ukraine.

Two more important problems can be added to the problems of public-private partnership that were noted in studies [2, 3, 4]: insufficient fairness in determining

the private partner's contribution; mentality of state management. Regarding insufficient fairness in determining the private partner's contribution. Usually, when concluding a PPP contract, the private partner, as an investor, has a clear position, since he contributes in the form of financial resources or specialized equipment with a clear market price. For example, in the case of port transshipments, which are one of the most popular PPP objects, a private partner can contribute its port cranes, facilities with a clear cost and market price.

However, the question arises as to how to fairly evaluate the share that the state contributes to the partnership, since there is a difference between its book value, market value and value calculated according to international standards, which do not always coincide: the resulting discrepancy in the assessment of state property, which is the object of the PPP, leads to significant corruption risks. Therefore, as soon as such risks arise, at the beginning of the second stage of activity, corruption investigations are started; the second important aspect is that during the inventory of property and its transfer to a concession or the conclusion of a contract on joint activity, it often turns out that the real state of the property does not correspond to the balance sheet, either in terms of quantity or quality.

Foreign investors are not mentally prepared for such situations and, as a result, do not understand what is happening, which discourages them from participating in PPP projects and worsens the moral and psychological climate of cooperation. Only very competent management, which is a rarity, can solve emerging problems. Many PPP projects do not start or waste a lot of time due to such difficulties. Therefore, when it comes to a public-private partnership, where the object is state property, its value for PPP should be determined based on the actual state of the object, not the book value. The second problem is that government officials do not understand the true economic basis of PPP relations and ideology, which leads to a shift in the center of gravity to the state's dominant position. In fact, the state only provides the object with respect to which economic relations arise within the framework of the PPP, and the private investor provides modern management, investment and other resources, innovative technologies for restoring the state of the object, its protection from

complete or gradual destruction, and income generation methods. The problem of the mentality of public management refers to the use of public-private partnerships. One of the examples of this is the «Electronic ticket» project, which includes determining the share of the private partner's profit in the cost of a travel ticket for the end consumer.

Other problems of PPP include objective and subjective economic, organizational, political, ideological and technological problems. In particular, political crises and instability, low attractiveness of the investment climate, gaps in regulatory and legal regulation, tax legislation, budget support and guarantee of state obligations in relation to PPPs, low level of business and public trust in government structures and their management, low quality of investment planning, holding tenders for PPP projects, evaluating their effectiveness and efficiency. In addition, the problems are the lack of «success stories» of PPPs, the high cost of the preparatory stage of PPP design, the duration of project implementation periods and procedures for their conclusion, a significant number of unforeseen risks, the imperfection of the institutional basis of PPPs, and others.

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