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## THE ROLE OF PUBLIC-PRIVATE PARTNERSHIP IN REGIONAL DEVELOPMENT

*The study identified key advantages over traditional projects PPP projects providing public services sector. Mechanism of public-private partnership can be considered as an alternative to privatization, as objects of public-private partnership is not transferred to the ownership of private partners, there is risk sharing between the private partner and the state of the object on the functioning of the infrastructure and services provided, thus achieved significant improvement facility by attracting private investment and joint (with public and private partners) management.*

**Key words:** public-private partnership, regional development, government, private partner.

**Introduction.** Modern Ukrainian economy is in a protracted investment and innovation crisis, there is a constant lack of investment capital, especially for our region. Ways and specific mechanisms to achieve the objectives of European integration of Ukraine, tactical approaches can and should be flexible and sensitive to changes occurring both within the state and in the EU and worldwide. Until now, the main focus was mostly building mechanisms of political relations with the EU, and this work definitely can not stop. At the same time efforts should now focus on significantly expanding and deepening practical cooperation between Ukraine and the EU on all main directions – the economic and trade; Foreign and security; in the field of justice and home affairs.

**Analysis of recent research and publications.** In recent years, around the world there is a steady trend towards greater involvement of private capital to the implementation and financing of innovation, often infrastructure projects both regionally and nationally. The issue of macro and meso-level public-private partnership highlighted in his work: P. Belenky, B. Danylyshyn, P.A. Zakharchenko, V. Krasovsky, B. Krasnopolsky, A. Kuznetsova, T. Ostashko, A. Sosnowski, L. Chernyuk, I. Chernyavskyy, Yu. Yudin.

**Setting objectives.** With this method of cooperation between the public and private sectors are constantly improved in terms of the distribution of risks and rewards of this type of cooperation. These methods are usually combined under the title partnership of public and private sector (the PPP) and can range from simple contracts to provide services to the involvement of the private sector to finance, design, construction, management and, in some cases – possession of basic infrastructure facilities [1, p. 12].

Speaking terminology that PPP – is institutional and organizational alliance between the state and business for implementation of socially important projects and programs in a wide range of industries and services [2, p. 79]. Therefore, the development of mechanisms of state-private partnership is quite dynamic and require constant monitoring, especially in terms of the impact of external crises, the general trends of the world economy. The article is to study the role and importance of public-private partnerships in strategic regional development.

**The main material research.** The importance of public-private partnerships in regional development and growth of small and medium enterprises as the route of administration capacity and efficiency of private sector development initiatives at all levels is recognized. PPP mechanisms are widely used in the UK, Germany, Italy, France and Japan.

High efficiency PPP as a form of cooperation between the state and business experience proved many countries [3, p. 180].

UK PPP projects focused on such infrastructure facilities as schools, hospitals, prisons, defense facilities and roads;

A significant number of Canada performs PPP projects in areas such as energy, transport, environmental protection, water and wastewater, recreational facilities, information technology, health, education;

Greece mainly performs PPP projects in the transport sector;

Ireland has identified PPPs such facilities as roads and urban transport systems;

Australia as priorities identified for PPP transportation and support systems for mining towns;

Netherlands PPP mechanism used in the public housing sector and life-support systems of cities;

Spain implements PPP projects in the construction and operation of toll roads and bridge life-support systems;

USA mainly performing PPP projects that combine environmental protection, sustenance villages.

PPP model includes various relationships. If we consider the world practice of PPP projects, we find the "typical" model form or not, and it points to the variety of solutions that are in various states use the private sector to help the development of innovation sphere. PPP projects include a wide range of relationships – from the general partnership agreements to type DBFO (design, build, finance, operate – to design, build, finance, operate) and joint ventures.

At present the main advantages of PPP projects over traditional projects providing services considered as public sector [4, p. 48]:

- Public authorities and communities can benefit from the experience and efficiency inherent in the private sector, which will mean lower costs and higher quality of services;

- There is a tool to attract additional investment project;

- Released some employees who may be engaged in solving other important problems of the city;

- Guaranteed optimal price;

- Innovations are introduced;

- Provided appropriate training and monitoring of PPP are more likely to better management of state and municipal assets.

In addition, according to the Ukrainian legislation [5], the ownership of the objects that were completed, rebuilt, reconstructed within the public-private partnership owned by the public partner. Objects of public-private partnership can not be privatized during the period of implementation of public-private partnerships.

policy of modernization of Ukraine's economy, solving important social and economic problems. According to the World Bank PPP projects in the field of infrastructure in Ukraine for the years 1992-2011 was implemented 25 projects, which invested 12 million USD. United States, of which about 11.5 million dollars. United States – in the field of telecommunications (Table 1) [6].

The structure of PPP projects, according to the methodology of the World Bank [6], included projects implemented on the basis of management contracts, leases, concessions, sale of assets. This project is considered PPP if the private partner involved in its implementation is at least 25%, and the sale of project assets – if at least 5% of shares belong to private owners. This approach to understanding the PPP does not comply with Ukrainian legislation, according to which particular objects PPP can not be privatized for the duration of the agreement, objects PPP can not be objects for which a decision on privatization. Thus, the data monitoring World Bank can not be considered an illustration of the real state of PPP development in Ukraine. Meanwhile, the official systematized information on PPP in Ukraine is missing.

Potential implementation of public-private partnerships as a tool for deepening of inter-regional economic integration is that the partnership of state and business interests require harmonization of these two major institutions of modern society and economy. The state is interested in the growth of the volume and improve the quality of services provided to the population and economic agents. The private sector seeks to obtain stable and increase profits. And thinking strategically builds its business priorities, first of all, not just the size of profits and for sustainable income from projects. When both sides are interested in successful implementation of projects in general.

Each party partnership contributes to the overall design. Thus, the part of the business such contribution is: financial resources, expertise, efficient management, flexibility and efficiency in decision-making, capacity for innovation, etc. Participation in joint business projects accompanied by the use of more efficient working methods, improving equipment and technology, development of new forms of production, creation of new enterprises, including foreign capital, establish effective cooperative ties with suppliers and contractors. The labor market usually increases demand for highly skilled and well-paid profession [7, p. 48]. In other words, there is a multiplier effect on related economic activities.

On the side of the State in PPP projects – the powers of the owner, the possibility of tax and other

Table 1

**PPP projects in Ukraine in 1992-2011,  
According to the World Bank**

The scope of the project	number of projects, units	Investments, mln. USD. USA
Power	12	225
Telecommunications	10	11416
Transport	1	130
Water and sewerage	2	202
Total	25	11973

Public-private partnership (PPP) is defined among the key mechanisms for implementing the

incentives, guarantees and obtaining specific financial resources. The state, as the main subject and the main regulator is entitled to reallocate resources from a purely production programs for social purposes (education, health, science, culture), which in many cases not only helps to improve the socio-economic climate, increases investment Rating and countries of the region but also directly displayed on partner projects. Moreover, PPP state gets better able to perform its core functions – control, regulation, compliance with the public interest [7, p. 48]. A feasibility of state intervention in the regulation of these processes in the light of the financial crisis is, in our view, the more apparent.

It should be noted that the successful experience in implementing PPP projects in Ukraine is virtually absent, although at the state level, there is interest in such projects in the construction of roads and energy. At the local PPP is interesting for projects in the housing sector, where the need for investment capital in the hundreds of billions of hryvnia for the modernization and renewal of housing stock and housing and communal infrastructure, improving energy efficiency of buildings, improving the quality of drinking water and so on.

In our view, the main obstacles to PPP in Ukraine:

- Lack of trust and cooperation between partners; complex and controversial legislation on PPP;
- The lack of available financial resources;
- Lack of professionalism of public training partner for PPP projects.

The importance of PPP projects have on local government level. In cities and towns (utilities) are the main load of a large number of projects of social importance: support in good condition and the road transport sector, social infrastructure, water management and environmental protection, housing, water treatment plants, electricity and gas supply and so on. The main problem that faced with the local authorities is the lack of financial resources. Therefore, at the level of local government to attract private capital to solve urgent social and economic problems should become common practice. An important factor for the successful implementation of PPP is the presence of a stable and predictable market conditions. This is to ensure that risk bearing the private sector, was acceptable to him (for example, the effectiveness of the legal protection of private property, the reliability of the financial markets, stable financial condition of the contractor, the transparency of procurement).

Thus, today there are many problems that hinder the development of public-private partnership in Ukraine, the main ones are:

- The lack of experienced personnel that could move the public-private partnership – both the business and the state;
- The lack of projects attractive and relevant to the requirements of banks (bankable projects);
- The unwillingness of the private sector: a small number of private operators in a very small number of sectors. The perception among Ukrainian business public-private partnerships and concessions as projects with extremely high risks and low profitability, the uncertainty of future conditions;
- The unwillingness of the authorities to partnerships and implementation of public-private partnerships;
- Legislative gaps and limitations (including concession) and lack of law enforcement;
- Lack of activity in initiating regional projects, their execution;
- Unwillingness to invest in long-term projects and others.

On the other hand, it should be noted that the process of promoting the idea of public-private partnership in Ukraine is gaining momentum. In particular, the East Europe Foundation is a partner in the objectives of the Program of Public-Private Partnership is actively working with the US Agency for International Development (USAID), also on the implementation of the system of e-government.

#### **Conclusions and prospects for further research.**

Public-private partnership can be considered as an alternative to privatization, as objects of public-private partnership is not transferred to the ownership of private partners, there is risk sharing between the private partner and the state of the object on the functioning of the infrastructure and services provided, thus achieved significant improvement facility by attracting private investment and joint (with public and private partners) management.

In EU countries, including France, Italy, Spain, for a long time already there are projects aimed at the development of transport (road and rail) systems, as well as projects in the area of municipal services based on concession. Enterprises in these sectors can not be privatized because of their strategic, social and socio-political importance. In this case, public-private partnerships in general, and in particular the mechanism of concession is strategically important alternative to privatization of state property.

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### **РОЛЬ ДЕРЖАВНО-ПРИВАТНОГО ПАРТНЕРСТВА В РЕГІОНАЛЬНОМУ РОЗВИТКУ**

*В процесі дослідження визначено основні переваги проектів ДПП над традиційними проектами надання послуг публічним сектором. Механізм державно-приватного партнерства може розглядатись як альтернатива приватизації, оскільки об'єкти державно-приватного партнерства не передаються у власність приватному партнеру, існує розподіл ризиків між приватним партнером і державою стосовно функціонування відповідного об'єкта інфраструктури та послуг, що надаються, при цьому досягається суттєве покращення об'єкта за рахунок залучення приватних інвестицій і спільного (за участю державного та приватного партнерів) управління.*

**Ключові слова:** державно-приватне партнерство, інвестиції, регіональний розвиток, держава, приватний партнер.

### **РОЛЬ ГОСУДАРСТВЕННО-ЧАСТНОГО ПАРТНЕРСТВА В РЕГИОНАЛЬНОМ РАЗВИТИИ**

*В процессе исследования определены основные преимущества проектов ГЧП над традиционными проектами предоставления услуг публичным сектором. Механизм государственно-частного партнерства может рассматриваться как альтернатива приватизации, поскольку объекты государственно-частного партнерства не передаются в собственность частному партнеру, существует распределение рисков между частным партнером и государством относительно функционирования соответствующего объекта инфраструктуры и услуг, при этом достигается существенное улучшение объекта за счет привлечения частных инвестиций и общего (с участием государственного и частного партнеров) управления.*

**Ключевые слова:** государственно-частное партнерство, инвестиции, региональное развитие, государство, частный партнер.