

# Public-Private Partnership in the System of Economic Development of the Country

Volodymyr Muliar <sup>†</sup>, Tetyana Ryda <sup>††</sup>, Volodymyr Dolot <sup>†††</sup>, Oleg Didych <sup>††††</sup>, Bogdan Grechanyk <sup>†††††</sup>, Iurii Chornysh <sup>††††††</sup>

<sup>†</sup> Polissya National University, Zhytomyr, Ukraine

<sup>††</sup> State Tax University, Ukraine

<sup>†††</sup> Head of polyclinic department No. 2 of the KNP "DCL No. 9 of Podilsky district of Kyiv"

<sup>††††</sup> Lviv Polytechnic National University, Ukraine

<sup>†††††</sup> National Technical University of Oil and Gas, Ukraine

<sup>††††††</sup> Lviv State University of Security Life Activity, Ukraine

## Abstract

The main purpose of the study is to determine the key aspects of the public-private partnership system in the context of the economic development of the state. At first glance, the mutually exclusive interests of the state and business do not contribute to the development of common and agreed development goals. At the same time, ignoring the versatility of interests and the aggravation of the discussion regarding the two sides under consideration, the study of the theoretical foundations of the interaction between the public and private sectors of the economy allows us to draw the following conclusion: world economic theory from classical political economy to new institutionalism has a clear structured position on the ancient historical depth of existence of the form of partnerships. Based on the results of the study, the main elements of the public-private partnership system in the context of the economic development of the state were identified.

## Keywords:

*Public-Private Partnership, Economic Development, System.*

## 1. Introduction

The problem of interaction between civil society and the state is one of the main ones in modern political and administrative processes. Specific historical models of the relationship between civil society and the state have their own socio-cultural and national characteristics, which are manifested and updated in different countries in different ways. First of all, this is due to the fact that civil society, even in developed democracies, does not seem to be a static, once and for all achieved state, it is a process that needs social and civil efforts to support it and reproduce it in new relevant forms. Civil society institutions are called upon to more effectively adjust state policy, however, the vigorous activity of non-

governmental interest groups should cause not a weakening, but an actual strengthening of the state's capabilities. The relationship between civil society and the rule of law should be based on certain principles, the main of which are: legally enshrined protection of human rights and freedoms as a priority of state policy in all spheres of public life; the regulation of the powers of the state has been worked out on the basis of the separation of powers into systems of comprehensive constitutional and legal control over their actions from the institutions of civil society; the presence of a mechanism for the demonopolization of power, which makes it impossible for it to be concentrated in the hands of one person, a state or socio-political institution or a separate group of people; observance of clear democratic requirements in the development, adoption and application of laws with mutual legal consolidation in the laws of the principles and mechanisms of democracy inherent in civil society.

In modern conditions, when new economic relations and processes are being formed, and the national economy of Ukraine is becoming more and more integrated into the world economy, there is an urgent need for structural changes and the search for a new model of relations between its public and private sectors. In recent decades, a new and special quality of interaction between the state and the private sector of the economy has developed in the economies of a number of developed and developing countries, expressing the result of the evolution of relations from the prevailing direct state intervention in the economy to the use of various forms of regulation and the introduction of partnerships. In

Ukraine, despite the deep reformation transformations, the state is still the main subject of economic regulation. At the same time, in the context of economic reforms, the need to use and further improve a more effective mechanism for cooperation - public-private partnerships - is more obvious.

The improvement of the mechanism of public-private partnership and the formation on its basis of new structures in the economic system of Ukraine in the context of its modernization can create a real basis for more actively attracting private investment into the economy, improve the quality of goods and services provided to consumers, promote the growth of the competitiveness of the private sector, ensure the receipt of other positive effects - to use new effective forms of financing, more modern and progressive management methods, which together will allow modernizing the institutional environment of the national economy, increasing the degree of institutional support for economic development to a level corresponding to developed market economies.

## 2. Methodology

The methodological basis of the study is the main provisions of classical and neoclassical theories, Keynesian theory, the theory of institutionalism, the theory of public choice, the concepts of new public management, socio-political networks, and management. In the process of research, general scientific and special research methods were used, in particular: theoretical generalization, comparison and morphological analysis - in the process of forming a conceptual and categorical apparatus; system analysis - to form the conceptual foundations for building a system of public-private partnership, determining its main elements in the institutional support for the development of the national economy; regulatory and legal monitoring - to assess the compliance of the institutional environment with the conditions for the development of public-private partnerships.

## 3. Research Results and Discussions

Over the course of several centuries, as noted in the previous part of the work, there has been a growing awareness between the public and private sectors that, despite the large number of disagreements, there are also many common interests

in them, which are mainly aimed at solving problems of socio-economic significance.

The state, as you know, has always been an institution that regulates the economic interests of business entities. At the same time, economic entities need to build a certain range of relations with the state, the basis of which is the versatility of the main interests of these two parties: the effective implementation of public interests, on the one hand, and the maximization of their own economic benefits, on the other hand.

Accordingly, in general, the goals of the state and business sectors do not coincide, and moreover, they are in significant contradiction. If the goal of the subjects of the private sector of the economy is to maximize profits, the goal of the public sector is to ensure social, economic and political stability in the country. Hence, it cannot absolutely be considered that the goal of the private sector is only a distinctly individual character, and it cannot be argued that the goal of the public sector is always pursued by the public interest [1-4].

Public-private partnerships include the public and private sectors. The public sector is represented by state institutions, state unitary enterprises, state corporations, financial and industrial groups, non-profit partners, state funds.

The private sector can act as citizens and legal entities, represented by both commercial and non-profit organizations, the founder of which is not the state.

The objects of partnership as a whole include state property in its various manifestations, as well as a mixed form of property in which there is a share of the state.

The effectiveness of public-private partnership is updated during the implementation of large-scale investment projects, including in the innovative direction. But in this case, it requires compliance with a number of conditions necessary for the effective implementation of a public-private partnership project (Fig. 1).

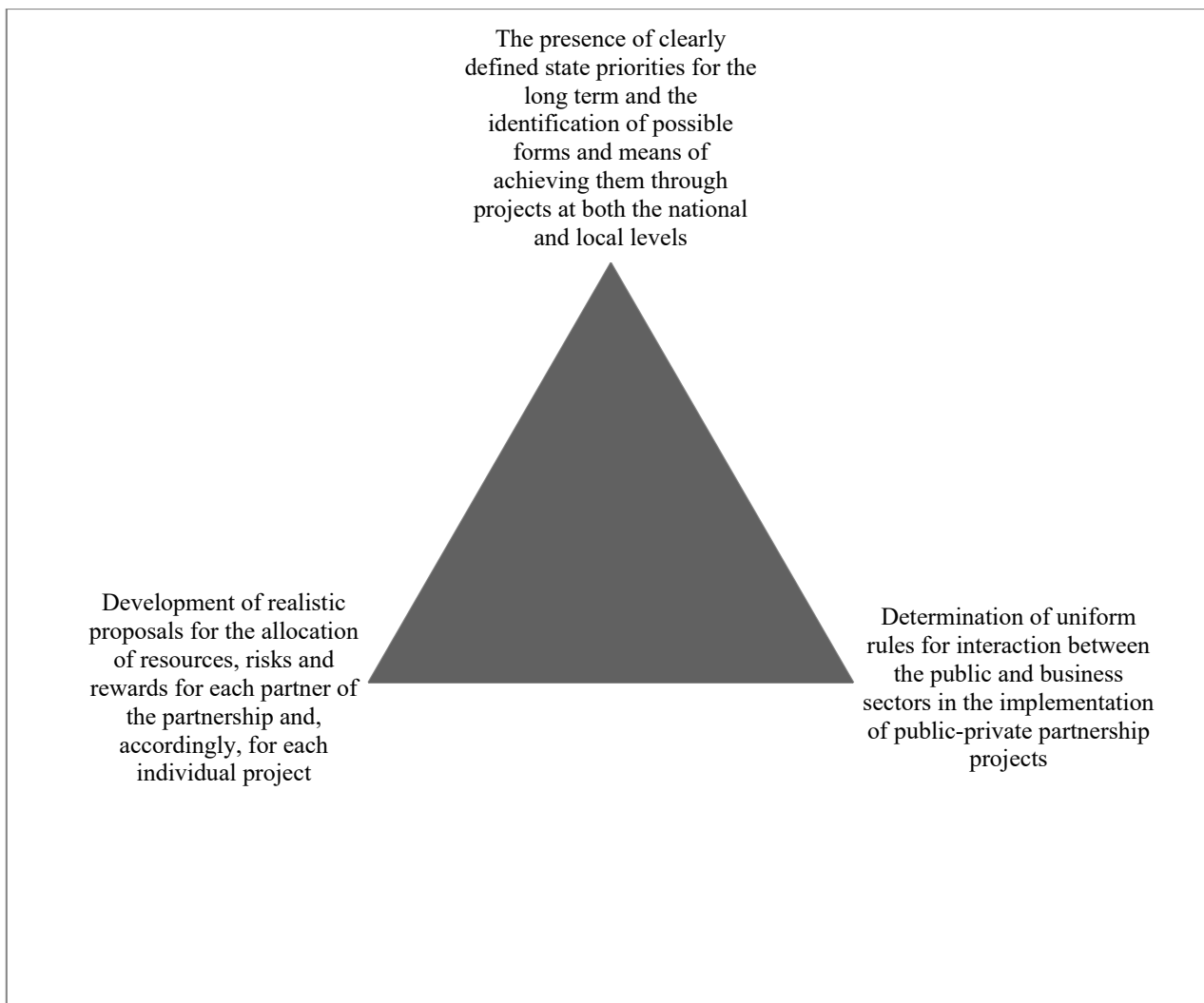


Fig. 1: The main requirements are necessary for the effective implementation of a public-private partnership project

Forms of public-private partnership can be: concession agreements; creation of organizations with a mixed form of ownership; transactions for the supply of goods, performance of work, provision of services for the needs of state and municipal authorities; rent; leasing; production sharing agreements; service contracts; contracts for management, provision of public services and performance of various types of work; equity participation of the private sector of the economy in state enterprises. All forms are filled with concretizing mechanisms and tools that form legal, financial, tax, price, economic, organizational and managerial support, which in some cases acts in

different directions, while restraining or stimulating the development of public-private partnerships.

The main goal of the partnership is to combine the experience and skills of the public administration and the private sector in such a way as to guarantee the achievement of the best material and financial benefits for both parties to the partnership [4-7].

For participants in a public-private partnership, the emergence of certain motivational factors is inherent. The public sector, first of all, sees in the business sector additional resources, effective managerial and human resources, and, accordingly, hopes to benefit from this. By entering into partnerships with business, the state expects to attract additional sources of

funding, which in the future will reduce the burden on the state budget.

At the same time, it will be positive for the state to increase budget revenues by increasing tax payments from private business, a significant increase in which can accelerate the solution of complex socio-economic problems and increase the volume of final production, which will allow both the state and business to consolidate more competitive positions in markets for the sale of newly created goods, works and services.

The public sector, when participating in partnership, is also motivated by the need to: stimulate the innovative activity of the business sector, which could produce final products and services using the latest technologies; creation of new knowledge-intensive firms, which will provide support for small and medium-sized innovative enterprises; development and implementation of advanced technologies necessary to meet the needs of the state at the national level; involvement in the economic cycle and commercialization of the results of research and development obtained as a result of attracting state funds; an increase in the number of infrastructure facilities and the development of infrastructure in general [8-11].

Public-private partnership helps to eliminate the differences between the management culture of power and the corporate culture of business, complement each other with the best quality indicators. Such interaction between the state and business fully meets the interests of the country's society.

The purpose of the partnership is to combine the experience, resources and skills of various public and private partners in such a way as to guarantee the achievement of the best material and financial results with the maximum mutual benefit. At the same time, public-private partnership concentrates material and financial resources, and also contributes to attracting funds from extra-budgetary funds for the implementation of important projects of socio-economic significance and programs in various areas of the national economy (social, innovative) with the possibility of using the financial potential of regional budgets, local budgets and objects of regional, communal ownership.

The development of public-private partnership begins with the conclusion of standard agreements on joint activities. Then a more integrated approach is taken, the number and scope of contracts increase, and the relationship in their implementation becomes more complicated. In some cases, the partnership may be strategic. In other cases, the private partner may be expressly authorized to act on behalf of the public entity in the performance of certain works or services. Cooperation between the public and private sectors can be implemented on the basis of a simple society agreement, assumed in Ukrainian legislation, which is most consistent with the nature of this type of relationship of joint activity. This type of agreement is commonly referred to in world practice as a joint activity agreement.

One of the main factors encouraging the development of public-private partnership is the lack of financial resources of the state and the availability of these resources in the private sector. As the experience of developed countries and countries in which market relations are being formed and developed shows, the state does not always have a sufficient amount of financial assets in order to effectively and fully modernize or develop infrastructure. Since the need for modern and reliable infrastructure facilities is constantly growing, the direct task of the state authorities is to attract private capital in the form of a public-private partnership, but at the same time, the state must provide support for favorable conditions for the implementation of projects, for example, land acquisition for the construction of facilities, providing state guarantees, a simplified system for obtaining licenses, facilitating the issuance of loans on favorable terms, and so on.

To analyze the state of the backbone sectors, we consider it expedient to identify indicators based on which it is possible to assess the need for partnership between the public and private sectors of the economy as the basis for effective socio-economic development of the national economy (Table 1).

Table 1: Key indicators for assessing the need for public-private partnership

<i>№</i>	<i>Indicators</i>
1	The state of logistics (the degree of depreciation of fixed assets) of the industry
2	The degree of financing in the renewal and upgrading of the industry
3	Degree of funding relative to recovery needs of production
4	Quality of service delivery with available resources

The positive side in the development of public-private partnership is that the financial assets of the private sector of the economy are more mobile than the state ones. This, in turn, allows the private sector of the economy to apply scientific and technological innovations that greatly facilitate and speed up certain production processes. But even under such conditions, it is often difficult for the private sector to access areas that are usually considered public, or the risks of operating in them are high enough, which reduces interest in them [12-15].

To control the degree of riskiness of one or another stage of the project implementation, it is

necessary to regularly monitor the key characteristics of the state of the enterprise-object of public-private partnership. Here, an important task, in our opinion, is to assess the competitiveness of the enterprise. But even in conditions of risk, cooperation between the public and private sectors of the economy can significantly increase the chances of a successful result in the implementation of large projects. The pooling of assets and the fair distribution of risks between the partnership participants make it possible to make public-private partnership projects more investment-attractive, which, first of all, allows the implementation of publicly and socially significant projects that, in modern conditions, are almost impossible to implement only at the expense of financial resources of the public sector of the economy.

#### 4. Conclusions

Summing up, it should be noted that the main feature of a public-private partnership is the participation of both partners in a public-private cooperation chain to create added value. In turn, the process of creating this added value is largely focused on the degree of redistribution of tasks and risks between the state (local government) and the private partner. At the same time, each partner takes on the tasks and responsibilities that he can provide with the best quality and efficiency. This is precisely the synergistic potential of public-private partnerships.

It can be stated that the variety of mechanisms, forms and methods of public-private partnership makes it possible to widely use the possibilities of private capital in solving many problems related to the public interest. In the areas of industrial, transport and social infrastructure, all types of concession agreements, joint ventures with the participation of public and private capital, as well as projects based on civil law agreements are used. Features of state regulation of partnerships with business are determined to a large extent by the general expansion of contractual relations with private sector enterprises, with non-profit and public organizations in those areas that were previously the prerogative of the public sector of the economy. Public-private partnership is one of the main types of partnerships between public authorities and private business.

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