STATE INTERESTS IN PUBLIC-PRIVATE PARTNERSHIP PROJECTS

Objective. The article addresses the issue of determining every participant’s interests in development projects, especially the state interests. Methods. To solve this scientific problem it is applied a structural method of comparative analysis in abstract-logical generalization. On the basis of the analysis of literary sources and the existing work experience, the possible variants of state participation in the projects and the peculiarities of their application were identified. The problems of estimating the role of each project participant in uncertainty are identified. Results. On the basis of the literary sources analysis and the existing work experience the possible variants of state participation in the projects and the peculiarities of their application were identified. The problems of estimating the each project participant role in uncertain environment are identified. Practical relevance of the research. The main provisions of the scientific article will provide an opportunity to provide prospects of the state involvement in projects at the expense of the mentioned factors, taking into account its interests and the perspectives of private partners.

Keywords: projects, partnership, state, public-private partnership, founders interests

Problem Statement

The modern development of public-private partnerships provides opportunities to address the immediate and most pressing today issues. But the lack of this type of partnership particularities understanding and the ability to take into account the state interests or the criteria which certain projects will be selected by requires study.

Analysis of the recent researches and publications

Contemporary authors Belts Z. [3], Litvin O. [4] determine the relevance of state involvement in projects, Pisarenko V. [7], Tetina F. [8] determine the peculiarities of investment policy by the state. Despite the studies conducted, the definition of state interests in projects with private partners has not been sufficiently studied.

Formulating the article goals

The main purpose of the article is to identify the need to combine the interests of the main participants in a public-private partnership and related projects. Any project should take into account the current and future interests of the participants and the specifics of state participation in the public-private partnership.
• All possible cases of project interruption or significant deviation from project services should be analyzed and, if possible, insured with the guarantees of project participants. It is important not only to determine who is the guarantor, but also with a sufficient degree of probability to imagine what would happen if these guarantees had to be fulfilled.

In public-private partnership projects the state is a direct participant represented by public authorities. Often, the motive for government involvement in projects is not the direct commercial benefit and resolution of social issues. The state is a sponsor, guarantor or lender, who is interested primarily in an operating object of national economic importance [4, 6].

For example, the state can participate in the infrastructure creation, public sector of the economy (schools, kindergartens, etc.). With its participation it can promote the development of industries that have a multiplier effect on the development of the economy as a whole or on the formation of individual markets (labor, capital, etc.).

In addition, the incentive for government involvement may be to obtain financial effects in the form of tax increases or the inflow of hard currency. The creation of objects of great importance to national prestige can also take place with direct sponsorship by public authorities [5, 7].

State participation can be as follows: (Fig.1.1).

1) Direct source of capital

The state budget can be a direct source capital for the project implementation. In this case, providing subsidies or grants, the state sponsors the project and acts as a lender giving loans and loans.

It should be noted that the state rarely acts in this capacity willingly. Projects that are usually subsidized have systemic, social implications but are not commercially viable.

In most cases stopping such a project results in such negative budgetary implications that the liquidation costs are much greater than the state's costs for subsidizing a deliberately inefficient project in the case of a shutdown (such as boiler rooms, power grids, etc.) [4, 8].

2) The guarantor

The state represented by government bodies, is more often the guarantor and issues securities. Even if it merely gives permission or license for certain activities, it insures project initiators against legal risk, that is, uncertainty associated with underdevelopment, possible change in legislation, or variability in interpretation by officials of all ranks.

![Fig. 1. Options for state participation in public-private partnership projects](https://example.com/f1.png)
However, in some cases, the object of insurance is credit risk. It is important to understand that when public authorities provide similar safeguards, they seek only to provide a degree of authority for the operations being carried out. However, often they are not ready to pay for their obligations if the insurance event still occurs [6, 7].

3) Tax holidays and privileges.

Another way to give credit to a project is to mitigate its tax requirements, such as deferring tax payments until a certain date. This variant of participation of the authorities in the project has the disadvantage that if the company is unable to repay the tax debt at the end of the term, then the budget can suffer losses.

For example, it is sometimes practiced to purchase the enterprise (its shares) for tax arrears. Then, if the company is bad, it can turn out to be “money bondage” for the budget, and its nationalization often further reduces the initiative, the entrepreneurship of managers [4-6].

On the other hand, if an enterprise is promising, with valuable assets and potentially high cash flows, then its acquisition at the expense of tax arrears may be a form of abuse by a bureaucracy that seeks to take this “coveted prize” under its control.

4) Concessions

One of the most promising areas of cooperation between the state and private business is a concession in the form of providing state property at the disposal of a private company.

The characteristic and most common variant of the concession is the scheme. Under this scheme, the private entity has the right to complete, finance the development and operate the state property for a certain period of time. At the end of the agreed period, the operating object with the specified technical and economic parameters is transferred to the state.

In another scheme, a private company leases an existing state property and the land where it is located. It develops the facility and then operates it by transferring the rent to the public administration. Such schemes are beneficial if the object in its present state is not capable of profiting, the state has no money to complete it, and a private company does not have the money to buy the object entirely.

The advantage of the scheme for both parties is the distribution of project risks between the state and private business.

The transfer of the facility and its construction by a private firm allows the state to release part of the budget funds and direct them to facilities that are less commercially viable but necessary for objective reasons. In addition, the state has the opportunity to take advantage of more effective methods and technologies specific to advanced private sector companies.

The benefit of private companies is to reduce legal risk (the project is carried out with direct patronage by a public authority) and to obtain a monopoly right to develop a commercially viable facility. This circumstance, however, sometimes creates the ground for corruption because it leads to inequalities in the conditions of competing companies depending on the preferences of senior officials.

Most of the projects for the development of transport infrastructure and energy are being created in this way [6].

As noted, the assessment of the effectiveness of a public-private partnership project usually consists of two steps: determining the project effectiveness as a whole and determining the project effectiveness for each participant.

Assessment of project effectiveness is generally conducted in two directions: the first one is from the public position (public efficiency), the second one is from the commercial position (commercial efficiency). It should be noted that the project is considered from the point of view of the only participant implementing the project.

Social performance indicators take into account the socio-economic implications of the project for society as a whole, including both direct project outcomes and costs and external costs and outcomes in related sectors, environmental, social and other non-economic effects. The need for assessment and further analysis of social efficiency is driven by the macroeconomic concept of production resources scarcity. According to this concept, the need for measures to meet public demand, and therefore the resources required, is limitless and the resources available at all times are limited. Therefore, with certain resources, you can make more of any product, but only by reducing the output of another. In this regard, it is always necessary to choose between competing options for solving production problems [2].

To evaluate the social effectiveness of a project means to check the reasonableness of
allocating resources for this project implementation from the number of competitors. All modern methodological basis for calculating the effectiveness of projects is based on determining the amount of net cash flow. This is due to the fact that an investor who invests in a particular investment project is interested primarily in what terms and to what extent he can return it in the form of real money, not in the form of hypothetical accounting profit. Only real funds received as a result of the investment project can be directed to repayment of loans, payment of dividends to shareholders or reinvested in subsequent investment projects of the enterprise.

Conclusions

The absence of a balance between the different norms of the legislation impedes the realization of all the potential that should be used when involving states in projects. In order to mobilize all possibilities, it is necessary:

1. To change the rules of the law those impede the development of public-private partnership in the country;

2. To change fundamentally approaches and improve monitoring of public funds usage.

When project financing is possible, particular importance will be given to the characteristics of the project, the composition of its participants, partners and risk sharing. The level of risk will play a key role in determining the readiness of each participant, the state in particular. The question of the state involvement degree in the project also remains important as well as obtaining certain preferences by private business. Today, a large number of legal acts determine the need for a clear definition of preferences, but no document defines them.

The modern world is paying more attention to the possibility of implementing the state-required projects with the private partner’s involvement, so Ukraine should go in the same direction. Using the experience of the world leading countries and taking into account the national peculiarities of the projects mechanisms implementation with the state participation will give a significant impetus for the improvement of the social state of society and the country as a whole.

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