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DEVELOPMENT OF MUNICIPAL-PRIVATE PARTNERSHIP IN THE SYSTEM OF MUNICIPAL CREDITING OF UKRAINE

Об'єктом дослідження є процеси становлення та розвитку муніципально-приватного партнерства (МПП) в системі комунального кредитування України. Одним з найбільш проблемних місць об'єкту дослідження є відсутність єдиного визначення МПП в науковій економічній літературі та діючих законодавчих актах.

Систематизація понятійно-категоріального апарату стосовно визначення сутності такого партнерства дала змогу надати власне трактування автором МПП як інструменту забезпечення розвитку тривалого взаємовигідного співробітництва органів місцевого самоврядування з бізнес-структурами та населенням. Побудова схеми складових елементів функціонування МПП дала змогу встановити суб'єктно-об'єктний склад, обґрунтувати передумови розвитку такого партнерства.

Визначено проблеми розвитку МПП, основними серед яких є:

- відсутність законодавчо-нормативної бази регулювання відносин між суб'єктами МПП;
- наявність ризиків при співфінансуванні проектів МПП і відсутність надійної системи їх страхування;
- нерозвиненість системи захисту прав приватних інвесторів;
- низький рівень поінформованості приватного сектору про можливості участі в реалізації інфраструктурних проектів на місцях.

Обґрунтовано напрямки їх усунення та описано засоби підвищення ефективності МПП. За допомогою МПП реалізується політика регіонального і муніципального соціально-економічного розвитку, співфінансуються інфраструктурні та інші суспільно значимі для розвитку територіальних одиниць проекти.

Отримані результати дали змогу визначити специфічні особливості МПП та його відмінні риси від державно-приватного партнерства (ДПП). Встановлено, що залучення приватних інвесторів потребує розробки відповідної нормативно-законодавчої бази, відновлення довіри до інструментів місцевої позики та діяльності органів місцевого самоврядування. Для цього необхідно забезпечити відкритість і прозорість реалізації проектів МПП, створивши онлайн-платформи, за допомогою яких приватні інвестори можуть отримувати необхідну інформацію. Завдяки цьому забезпечується можливість отримання бюджетного, соціального, екологічного ефекту на рівні адміністративно-територіальних одиниць та розвитку системи комунального кредитування в Україні.

Ключові слова: муніципально-приватне партнерство, місцева інфраструктура, місцеві бюджети, комунальний кредит, приватні інвестиції.

1. Introduction

The effectiveness of the development of municipalities in the context of the reform of financial decentralization and the formation of a civil society requires the introduction of new mechanisms for cooperation between local authorities and local self-government with business structures and people as representatives of local communities. The most effective means of increasing the financial independence of local governments, ensuring the financial viability of local budgets, solving local socio-economic problems, and modernizing local infrastructure is developing municipal-private partnerships.

Chronic lack of local financial resources for the development of local infrastructure leads to inhibition of the development of foreign economic, tourist, innovation and investment activities in the field. In these conditions, in order to fulfill the functions and tasks assigned to local authorities, it is necessary to introduce new approaches to the development of a mechanism for communal lending, which should be based on municipal-private partnership (MPP) [1].

Such a partnership involves the active involvement of the public in the processes of developing and making

important decisions on the ground, forming and implementing local financial policies. MPP is an effective tool for developing the economy and attracting private investment to solve local problems, which makes the research topic relevant.

2. The object of research and its technological audit

The object of research is the processes of formation and development of the municipal-private partnership in the system of communal crediting of Ukraine. Increasing requirements for the quality of communal, social and public services carried out at the expense of local budgets are limited. In this regard, they require the introduction of new mechanisms for the interaction of local governments with representatives of private business and the population of territorial communities. One of the problem areas for the development of such cooperation towards the implementation of projects for the modernization and development of local infrastructure is the lack of:

- relevant legal framework, with a clear definition of the essence of the municipal-private partnership (MPP);

- ways to attract private capital;
- provision of a guarantee system for the protection of private investment.

3. The aim and objectives of research

The aim of research is studying the theoretical foundations and the development of scientific and practical recommendations aimed at justifying the need for the development of municipal-private partnerships in the system of communal credit for the development and modernization of local infrastructure.

To achieve the aim of the research the following tasks are defined:

1. To systematize the conceptual and categorical apparatus to determine the essential features of a municipal-private partnership.
2. To determine the specific features of a municipal-private partnership and its distinctive features from a municipal-private partnership.
3. To explore the possibilities of the use of municipal-private partnerships in the system of municipal lending.

4. Research of existing solutions of the problem

In work [2] it is noted that in recent years the sector of local self-government in European countries has suffered important changes, including, in particular, the development of municipal-private partnerships and the conclusion of contracts. An important consequence of these institutional changes is the transformation of local government systems due to the need to strengthen cooperation between local authorities and private actors.

The author of the work [3] indicates that the organization of municipal-private partnership is important for state, municipal, private shareholders and property owners and is based on contractual mechanisms.

A study of the experience of implementing municipal-private partnerships (MPP) for the implementation of municipal solid waste treatment projects in China is given in [4]. The authors point to economic, environmental and social problems and exhibit risks arising at various stages of the implementation of such projects, and which can lead to complete failure.

The example of Bangkok and Thailand in the field of domestic waste management, thanks to the development of municipal-private partnerships, is studied in [5]. According to the authors of the work, the partnership has become a potential alternative to the traditional services provided by the government. In doing so, the private and public sectors are collaborating to develop a plan for value co-creation and shared responsibility. In work [6] it is noted that in recent years, many governments have adopted new regimes of economic management that rely on municipal-private partnerships. These forms of government effectively transfer power and responsibility from the state to political networks that are in civil society. Public and private partners are increasingly proclaimed as innovative political intervention in the context of critical urban infrastructure services, where direct privatization and loss of control are considered unacceptable [7].

Local economic policy, as a determinant of the local business climate, consists of a balanced combination of traditional

instruments and modern, competition-oriented measures, one of which is municipal-private partnerships [8]. In [9] it is noted that one of the forms of MPP, which is understood as the union of material and non-material resources of local governments and partners on a long-term basis on the socio-economic development of the municipality. It is noted that, in its essence, MPP is like a municipal-private partnership, but it provides for the solution of issues of local importance. At the same time, the main forms of MPP, according to the author, are the concession, the financing of part of the costs of implementing social programs and investment projects, the provision of communal property for use.

The author of the work [10] under the MPP understands the mutually beneficial cooperation of local governments with legal entities and individual entrepreneurs, associations of legal entities, carried out through the conclusion of agreements, in particular concession agreements. In [11], the author under the MPP understands the mutually beneficial cooperation of the municipality with national or foreign legal entities and individuals, associations of legal entities with the aim of implementing infrastructure and investment projects, which is carried out through the conclusion and execution of transactions, including concession ones.

The study of the conceptual and categorical apparatus of the MPP allows to conclude that there is no single definition in the scientific literature and the existence of different approaches to the interpretation of the MPP essence by scientists. At the same time, the issues of scientific and practical substantiation of the use of municipal-private partnerships in the system of communal lending to solve problems of financial support for the development and modernization of local infrastructure are virtually absent and require further solutions.

5. Methods of research

General scientific and special research methods are applied during the execution of the work:

- abstract-logical – to summarize the theoretical foundations of the emergence and development of municipal-private partnerships;
- analysis, synthesis, logical generalization – to substantiate the prerequisites for development, the subject-objective characteristics of MPP, the means of increasing the effectiveness of such a partnership.

6. Research results

A prerequisite for local economic development and improving the welfare of the population is an efficiently functioning local infrastructure, and the mechanism that ensures the implementation of the development of the territories is the municipal-private partnership.

In modern conditions, a number of state powers are transferred to the local level, and the responsibility of local governments to the population of local communities for the quality of services provided increases. MPP is becoming a reliable and effective tool for ensuring local economic development and attracting private capital to solving local problems.

In the system of communal lending, MPP plays the role of a mechanism for attracting private investments made by residents and non-residents in the development of the municipal sector of the economy. Considering the

lack of formation of civil society in Ukraine, the local self-government bodies that manage municipal property objects should be the initiators of the MPP creation.

Considering the above, in the context of the reform of financial decentralization of the formation of a civil society, effective socio-economic development of territories is possible only under the condition of the MPP development. Such partnership provides for the consolidation of the efforts of local governments, private businesses and the public as equal partners in co-financing local infrastructure development projects.

The main problems of the MPP development in Ukraine are the following:

1. Lack of a regulatory framework for regulating relations between MPP entities:

- presence of risks in the co-financing of small private enterprise projects and the absence of a reliable system of their insurance;
- underdevelopment of the system of protection of the rights of private investors.

2. Low level of awareness of the private sector about the possibility of participation in the implementation of infrastructure projects in the field.

Let's dwell on the consideration of each of these problems separately. In the Law of Ukraine «On Municipal-Private Partnership» [6], the latter is understood as the cooperation of state and local authorities, with legal entities or individuals (entrepreneurs), which is carried out between them on a contractual basis. Based on this, local governments can participate in the implementation of agreements of municipal-private and municipal-private partnerships. In the case of the fulfillment of powers transferred from the state to the local level, it is rational to apply the state-private partnership mechanisms (SPP). To address local issues, it would be advisable for local governments to use various forms of MPP, namely, concession agreements, equity participation, investment contracts, leases, joint ventures, mixed forms of partnership, and the like.

In the context of chronic underfunding from the state and local budgets for the implementation of infrastructure projects, it is the development of municipal-private partnership that will attract the necessary amount of funds through the use of co-financing mechanisms. This will have a positive impact on the development of the community lending system as a whole. Having its own specific features, MPP is different from SPP in a number of ways:

- composition of subjects – in SPPs, the state in the person of state authorities and management, as well as private business, act as subjects of relations. MPP is characterized by the development of equal relations between local governments, business representatives and the public;
- scope of coverage – usually small-scale projects of local significance are implemented at the local level, unlike SPPs, where large-scale projects are implemented, covering individual sectors and regions;
- amount of resources needed to complete the project – MPP projects do not require a significant amount of financial resources, as happens in the case of SPPs;
- potential for project implementation – in SPP it is characterized by the market, economic, innovative, transit potential of the state; in case of MPP, such potential depends on historical, geographical features, the state of infrastructure support of the territories, development of entrepreneurial initiative on the ground.

Co-financing of MPP projects is inevitably associated with the emergence of a number of risks, both for local governments and for private investors. These could be investment risks, financial loss risks, reputation losses, and the like. Having a different range of influence on the activities of subjects of private business, these risks require the formation of an appropriate system to protect the rights of private investors. Legal regulation of the system of guaranteeing the rights of private investors is carried out in accordance with the Law of Ukraine «On Municipal-Private Partnership» [12] and the Law of Ukraine «On Amendments to Certain Legislative Acts of Ukraine Concerning the Protection of Investor Rights» [13]. Despite this, the development of the MPP requires the adoption of appropriate legislation in the field of regulating partnerships between local governments and private investors. The existing mechanism for the provision of local guarantees that would meet the current conditions of territorial development in the context of decentralization should be improved.

The next problem that needs to be addressed is the low level of content and timely updating of information resources about the possibility of private sector participation in the implementation of small private enterprise projects. Increasing the level of publicity of local governments requires the provision of a range of public services online, creating a new level of relations between local governments and private investors, based on the principles of transparency and openness of local budgets. To do this, it is necessary at the level of local authorities to create appropriate information and financial technology centers. On the basis of such centers, by creating a unified interactive platform of information interaction, provide real-time online advice on the use of utility lending tools [14].

MPP is a tool for ensuring the development of long-term mutually beneficial cooperation of local governments with business structures and the public. With the help of MPP, a policy of regional and municipal socio-economic development is being implemented, as well as at the expense of local budgets and private investors, infrastructure and other projects that are socially important for the development of territorial units are co-financed. At the same time, business structures and the population act as not only consumers of public services created during the implementation of MPP projects, but also active participants in co-financing programs of local economic development.

Diagram of the MPP components is shown in Fig. 1.

Given the structural elements, MPP in the system of municipal lending provides:

1. Efficient use of limited local financial resources:
 - balancing the priorities of the strategic development of territories with the pace of development of investment activities;
 - achieve the criterion of «price-quality» by reducing the cost of providing utilities.
2. The introduction and use by local authorities of new managerial competencies, advanced training of employees of local authorities:
 - expanding the boundaries of financing local infrastructure projects;
 - increasing the efficiency of use and management of communal property;
 - development of cross-border, interregional and intermunicipal financial cooperation;
 - exchange of experience of best practices in the implementation of MPP projects.

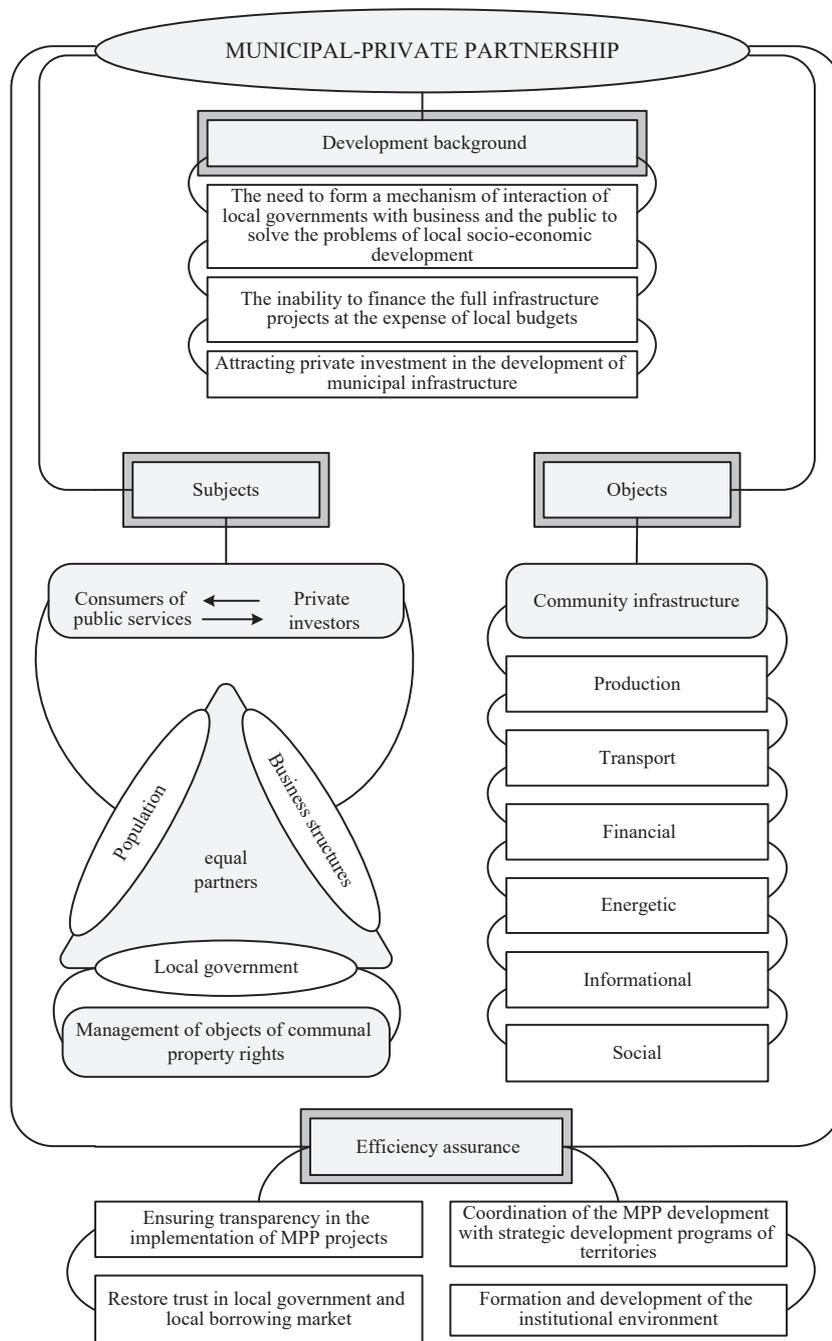


Fig. 1. The components of the municipal-private partnership

7. SWOT analysis of research results

Strengths. The strengths of the implementation of local infrastructure projects due to the MPP development consist in the readiness of local governments to open and transparent cooperation with business representatives and the public. The MPP development is also facilitated by the accumulated positive experience in the implementation of co-financing programs for projects at the local level.

Weaknesses. Weaknesses are the lack of a regulatory framework in the sphere of regulating relations between small business entities, a unified methodology for assessing the effectiveness of utilizing communal property and infrastructure, and protecting the rights of private investors. Also on the path of the MPP development there are

problems of the low level of informatization of the process of providing public services by local governments, the lack of online platforms that host information about current and implemented local infrastructure development projects.

Opportunities. It should be noted that further development of partnership interaction of local governments with private business and the public will contribute to:

- accelerating the pace of local economic development;
- elimination of the existing socio-economic disparities in the development of territories;
- growth in private investment and the development of a community lending system.

Threats. The main threats to the effective MPP implementation are:

- limited local resources;
- shortage of local budgets;
- degree of distrust of business structures and the public to projects implemented by local governments;
- occurrence of risks in the absence of a developed system of insurance.

8. Conclusions

1. An analysis of the existing conceptual and categorical apparatus of MPP allows to systematize the views of scientists regarding the definition of the essence of such a partnership and provide the author's definition of the term. MPP is a tool for ensuring the development of long-term mutually beneficial cooperation of local governments with business structures and the public. With the help of MPP, a policy of regional and municipal socio-economic development is being implemented, as well as at the expense of local budgets and private investors, infrastructure and other projects that are socially important for the development of territorial units are co-financed.

2. As a result of research, the specific features of the MPP and its distinctive features from the SPP are identified, thanks to the determination of a number of characteristics, namely by:

- composition of subjects;
- scale of coverage;
- size of resources;
- existing potential for the implementation of local infrastructure projects.

3. The development of the constituent elements of the MPP implementation allows to substantiate the scientific and practical recommendations for the use of mutually beneficial partnership of local governments, private business and the public. This will contribute to the development of a system of municipal credit and the development and modernization of local infrastructure.

Effective implementation of MPP projects will increase the level of public confidence in local governments and market instruments for local borrowing. Such projects will help accelerate the formation of civil society by increasing the number of active citizens who produce an increase in new, creative initiatives on the socio-economic development of territories. In general, this will lead to a budgetary, social, environmental effect at the level of administrative-territorial units and the development of a system of communal lending in Ukraine.

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