

# THE REGIME OF INTERNATIONAL PRIVATE-PUBLIC PARTNERSHIPS IN ACHIEVING THE SUSTAINABLE DEVELOPMENT GOALS IN UKRAINE

Yuliia Zaloznova<sup>1</sup>, Iryna Petrova<sup>2</sup>, Oleksandr Serdiuk<sup>3</sup>

**Abstract.** The purpose of the article is to substantiate the introduction of international public-private partnerships (IPPPs) to achieve the Sustainable Development Goals in Ukraine. *Methodology.* The methodological framework of the research relies on the systems approach, which allows the authors to determine the main characteristics of international public-private partnerships to achieve the Sustainable Development Goals; the comparison method, which illustrates the unity of the strategic focus of international public-private partnerships and the Sustainable Development Goals; the dialectical method, which facilitates establishing potential directions for developing international public-private partnerships in Ukraine. *Results.* The importance of fostering international public-private partnerships to achieve the Sustainable Development Goals in Ukraine is argued. The authors have defined the regime of "international-public-partnerships" in terms of the ideology of the modern economy. The components of the regulatory regime of international public-private partnerships are characterized: the goals to be achieved through introducing the regime; subjects covered by the regime; incentives, benefits, and restrictions necessary to achieve the declared goals; resources involved as part of the regime's implementation; action plan for the regime's implementation. The algorithm for introducing the regulatory regime of international public-private partnerships is considered: initiation and initial selection of a project for implementation in terms of an international public-private partnership; assessment and structuring of an IPPP project; drafting an IPPP agreement; conducting tendering procedures and concluding the IPPP agreement; management of the implementation of the international public-private partnership agreement (the IPPP monitoring implementation). Analysis of the current state of the implementation of public-private partnerships shows that state policy remains ineffective. The main directions of the road map of the regulatory regime of international public-private partnerships involve: amending the legislation on public-private partnerships; increasing the level of responsibility and competence of officials charged with the formation and implementation of public policy on international public-private partnerships; guaranteeing additional sources of business financing; strengthening the role of public-private partnerships amid decentralization. The road map of the IPPP regulatory regime is aimed at stimulating the development and implementation of public-private partnership agreements for the realization of long-term projects in priority economic activities in all regions of Ukraine. *Practical implications.* The main development directions of the regime of international-public-private partnerships in the current economic realities are outlined. *Value/originality.* The introduction of the regulatory regime of international public-private partnerships in Ukraine is substantiated, given the achievement of the Sustainable Development Goals.

**Key words:** public-private partnership, regulatory regime, regime of international public-private partnership, sustainable development, roadmap.

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*Corresponding author:*

<sup>1</sup> Institute of Industrial Economics of the National Academy of Sciences of Ukraine, Ukraine

E-mail: [zaloznova.iep@gmail.com](mailto:zaloznova.iep@gmail.com)

ORCID: <https://orcid.org/0000-0003-3106-1490>

ResearcherID: A-9110-2018

<sup>2</sup> Institute of Industrial Economics of the National Academy of Sciences of Ukraine, Ukraine

E-mail: [msirynapetrova@gmail.com](mailto:msirynapetrova@gmail.com)

ORCID: <https://orcid.org/0000-0002-0515-5349>

ResearcherID: I-4594-2018

<sup>3</sup> Institute of Industrial Economics of the National Academy of Sciences of Ukraine, Ukraine

E-mail: [oleksandrserdyk@ukr.net](mailto:oleksandrserdyk@ukr.net)

ORCID: <https://orcid.org/0000-0003-3049-3144>

ResearcherID: B-7030-2018

## 1. Introduction

Public-private partnerships (PPPs) are one of the indicators of the Sustainable Development Goals (SDGs) and a mechanism for financing their achievement through mobilizing private investment for infrastructure development and improving the quality and accessibility of public services. In 2019, the United Nations Economic Commission for Europe adopted the concept of "People-first PPPs to Achieve the Sustainable Development Goals" and the Guiding Principles on People-First Public-Private Partnerships (PPPs) for the UN Sustainable Development. By these documents, the United Nations Economic Commission for Europe regulated the use of a new model – People-first PPPs (Public-Private Partnership Support Agency, 2021). A vast deal of publications devoted to the development of public-private partnerships for achieving national SDG indicators is available in the academic realm (Boyer E.J., 2019; Levochkin M., 2016; Zapatrina I.V., 2017, 2018; Kosovych, B., 2020; Lukianenko I.H., Marianovych M.E., 2017, 2020; Simson O.E., 2013; Krullov V.V., 2019). However, the integrated application of public-private partnerships, taking into account the international component to achieve sustainable development, has been poorly studied in the works of the mentioned specialists.

The purpose of the article is to substantiate the introduction of international public-private partnerships to achieve the Sustainable Development Goals in Ukraine. Thus, the following tasks have been set and solved: the interrelation between public-private partnerships and the SDGs has been identified; the concept of the regime of international public-private partnerships has been proposed, and its components have been characterized; an algorithm for implementing international public-private partnerships has been provided; a road map for the IPPP development has been put forward.

## 2. The regime of international public-private partnerships

The application of public-private partnerships is regarded as an essential tool for achieving the SDGs. International documents, in particular, the Resolution adopted by the General Assembly on 25 September 2015 A/RES/70/1 "Transforming our world: the 2030 Agenda for Sustainable Development", indicate PPPs as one of the priority areas for achieving sustainable development (UN General Assembly, 2015). The interrelation between the Sustainable Development Goals and public-private partnerships emerges from the two SDGs, i.e., Goal 17 "Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development", which explicitly states "Encourage and promote

effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships" (UN General Assembly, 2015), and Goal 9 "Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation", which asserts "develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and fair access for all" (UN General Assembly, 2015).

The peculiarity of public-private partnerships in achieving the Sustainable Development Goals is that a partnership involves the resources of various economic entities that interact to obtain the result, thereby increasing the synergistic effect. The resources involved in the partnership's implementation are funds of private domestic and foreign investors; financial resources of the state and local budgets; funds from international organizations, including the European Bank for Reconstruction and Development and the World Bank in the European Union. The availability of an international component in public-private partnership projects indicates a change in the parties because international organizations also have an interest in and assist in projects' implementation (for example, the Public-Private Infrastructure Advisory Facility (PPIAF), the EBRD's Infrastructure Project Preparation Facility (IPPF), and others). In this regard, it is proposed to supplement the PPP with an international component, given the resources of international organizations and donors, and introduce the concept of "a regime of international public-private partnerships" – the regulatory incentive regime that encourages investment attraction, combining a system of incentives and benefits, mandatory conditions, and restrictions to keep the balance of interests of international donors, the state and business (Shylepnytskyi, Petrova, 2020).

The components of the regulatory regime of the international public-private partnership (RJIPPP) are as follows (1):

$$RJIPPP = \{G; S; I; R; P\}, \quad (1)$$

where G – goals to be achieved by the introduction of the regime; S – subjects covered by the regime; I – incentives, benefits, and restrictions required to achieve the declared goals; R – resources involved in the implementation of the regime; P – plan for the implementation of the regime (Table 1).

Thus, the regime of international public-private partnerships should be regarded as a system that ensures the realization of functionally united processes of actions of stakeholders, determines the sequence of stages of the IPPP functioning and application of a set of rules of conceptual, institutional, and methodological nature for their implementation.

Table 1

**Components of the regulatory regime of international public-private partnership**

Regime components	Characteristics
Goals to be achieved by the introduction of the regime (G)	Support for small and medium-sized innovative enterprises; activation of the transfer of R&D results; commercialization of innovations; creation of innovation clusters in the region; international cooperation.
Subjects covered by the regime (S)	Domestic and foreign investors, including international organizations.
Incentives, benefits, and restrictions required to achieve the declared objectives (I)	Special tax, customs, credit and exchange rate regimes to stimulate investment. Requirements for investors, which are put forward in the framework of their activities, are regime restrictions.
Resources involved in the implementation of the regime (R)	Financial resources of private investors, both Ukrainian and foreign; borrowed financial resources; funds of the state and local budgets; funds of international organizations
Plan for the implementation of the regime (P)	Implementation of projects based on international public-private partnerships as part of the regime that implies the very process, which consists of several stages

Source: drawn up according to data (Petrova, 2021; Shilepnytskyi, Petrova, 2020; Tarash, Petrova, 2015)

### 3. Plan for the implementation of the regime of international public-private partnerships

The algorithm for introducing the regulatory regime of international public-private partnerships consists of five successive stages:

1. Initiation and initial selection of the project for its implementation based on international public-private partnerships. The selection is made within the scope of social and economic development strategies and programs. It includes formulating the IPPP concept and the initial analysis of the project indicators (feasibility study).

2. Evaluating and structuring the IPPP project. This stage covers the analysis of the project's technological, financial and economic, legal, and environmental characteristics. Following the assessment of the above indicators, a decision on the implementation of the IPPP project and the development of its structure is made. The structuring of the IPPP project comprises a project justification form, the distribution of risks among the participants, and the financial structure of the project company.

3. Design of an international public-private partnership agreement. It entails the development of elements of the IPPP agreement (rights and obligations of the parties, alteration provisions, procedure for resolving conflicts, etc.). This stage results in a draft international public-private partnership agreement to decide on a private partner in tendering procedures.

4. Conducting tendering procedures and concluding the IPPP agreement. The public executive body undertakes tendering procedures to determine the private sector for project implementation. After the selection of a private partner, the international public-private partnership agreement is concluded.

5. Management of the international public-private partnership agreement (the IPPP monitoring). It is carried out during the term of the international public-private partnership.

The considered algorithm for introducing the regulatory regime of international public-private partnerships will attract additional resources to the economy of Ukraine, including international funds, for the creation of innovation infrastructure and implementation of innovation projects in priority types of economic activity. The IPPP regime is the organizational basis for the interaction between the state, science education organizations, and businesses with the involvement of international organizations in the framework of Ukraine's integration into the European Union.

### 4. A road map for the development of the regime of international public-private partnerships in Ukraine

In Ukraine, the algorithm for introducing the regime of international public-private partnerships is in progress and functions fragmentarily. The implementation of state policy on public-private partnerships in Ukraine does not ensure the realization and functioning of projects based on IPPPs. Effective functioning of international public-private partnerships requires a well-coordinated system of management of public-private partnerships, availability of professional skills in all PPP participants, and qualified public authorities in the field of PPP. However, none of the above conditions are ensured in Ukraine.

For Ukraine, which needs significant financial investments, public-private partnerships are a key to solving a range of problems. 12 years have passed since the entry into force of the Law of Ukraine "On Public-Private Partnership" (Law of Ukraine "On Public-Private Partnerships", 2010). But, in Ukraine, this regulatory act did not allow the creation of an effective system of public regulation, taking into account the interests of business and the public.

The current status of public-private partnerships shows that state policy remains ineffective. In particular, as of 01.01.2022, 193 agreements were concluded in terms of PPPs, of which 31 agreements are implemented (22 – concession agreements, 5 – joint activities agreements, 4 – other agreements), 162 agreements are not implemented (119 – not fulfilled, 43 – terminated / expired) (Ministry of Economy of Ukraine, 2022).

It should be noted that statistics available on official sources do not provide information on the total number of PPP contracts specifying their current status. The monetary value of PPP projects is not indicated, which does not allow tracing the amount of financing and clarifying what funding sources are involved in these projects.

Statistics make it only possible to trace the territorial aspect of the PPP implementation; in particular, most of the agreements are fulfilled in Zakarpatska and Mykolaiivska oblasts (Figure 1).

The bulk of public-private partnership agreements is fulfilled in housing and communal services, such as heat generation, transportation and supply and natural gas distribution and supply (8 agreements, which is 25.8% of the total); collection, treatment and distribution of water (8 agreements, which is 25.8% of the total); production, distribution and supply of electricity (3 agreements, which is 9.7% of the total); construction and/or operation of highways, roads, railways, runways, bridges, overpasses, tunnels and subways, sea and river ports and their infrastructure (3 agreements, which is 9.7% of the total); waste management, except for collection and transportation (1 agreement, which is 3.2% of the total) (Ministry of Economy of Ukraine, 2022).

Following Ukrainian practice, agreements in the housing and utilities sector are characterized by a low cost of capital expenditures, a simple scheme of return on investments, and guaranteed demand.

Thus, the above statistics on the implementation of PPP agreements demonstrate that regulatory acts adopted in previous years did not improve the situation in Ukraine. Consequently, the quality of public regulation of public-private partnerships remains low.

The main barriers hindering the development of public-private partnerships are:

an insufficient level of interaction between business, local self-government bodies, and executive authorities at the level of districts, particular cities, villages, and amalgamated territorial communities; complicated access to resources; low business activity toward PPPs; unagreed regulatory activities of local authorities;

inconsistency of the legislative framework; an insufficient professional level of officials of public authorities and local self-government bodies responsible for the implementation of public-private partnerships; a low level of participation of civil society institutions in the implementation of public-private partnership activities; complicated procedures for obtaining permits by entrepreneurs, the issuance of which is within the competence of local executive authorities and local governments; a low level of knowledge about the development of high-quality business plans and participation in grant programs; the lack of interaction and coordination between different structural units of authorities which are directly related to the development of various economic sectors; the non-availability of long-term crediting, which restrains the progress of the production sector, and difficulties in getting external financing due to high-interest loans; the lack of a well-established system of guarantees and insurance of credit and investment risks; the lack of open-access information about state and municipal property and land plots that can be used for business development.

Keeping in mind the above problems thwarting the development of public-private partnerships and, accordingly, the implementation of the regulatory regime of international public-private partnerships, the authors propose introducing a PPP "road map":

1. To amend the legislation on public-private partnerships:

1.1. To revise current regulatory legal acts for their impact on business to modify them or cancel those that impede the development of entrepreneurial activities.

1.2. To create a Unified electronic register of public-private partnership projects for introducing the international public-private partnership regime.

1.3. To organize training in the IPPP use for representatives of local executive bodies and local governments.

2. To raise the level of responsibility and competence of officials charged with the formation and implementation of public policy on international public-private partnerships.

2.1. To analyze the activities of local authorities and local governments responsible for the IPPP implementation.

2.2. To give amalgamated territorial communities organizational and methodological assistance in developing public-private partnership programs.

2.3. To create a single information resource (website) for entrepreneurs, which would contain relevant data about international public-private partnerships, up-to-date data about the change in the specific

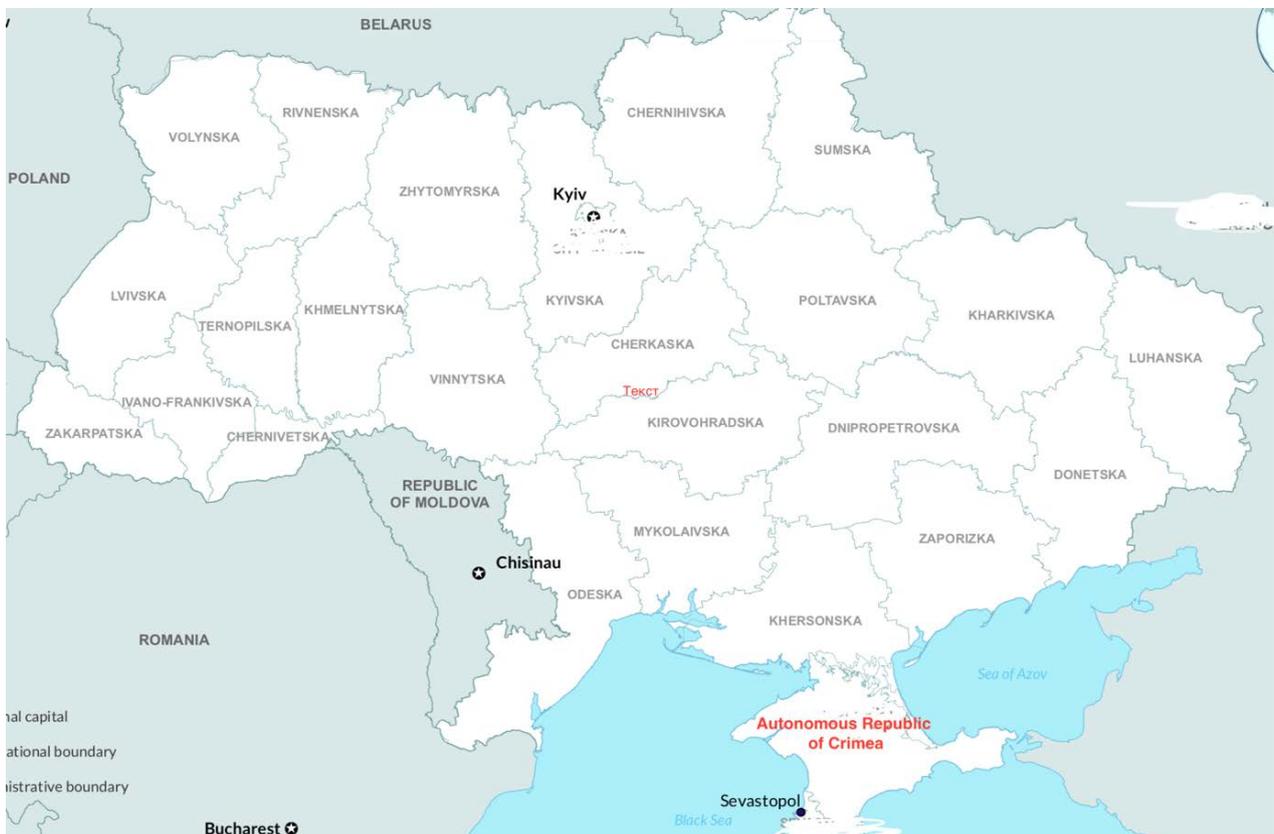


Figure 1. Number of PPP projects in progress

Source: drawn up according to data (Ministry of Economy of Ukraine, 2022)

regulatory legal acts, data about state and municipal property, land plots, etc.

2.4. To organize training sessions on raising funds to finance IPPPs for representatives of local executive bodies and local self-government bodies.

2.5. To establish and arrange the work of the Regional Expert Group for Public-Private Partnerships.

2.6. To arrange the work of a "One-Stop-Shop" for the implementation of investment projects.

3. To guarantee additional sources for business financing.

3.1. To develop a concept for the creation and operation of Public-Private Partnership Support Funds at individual amalgamated territorial communities to promote their activities.

3.2. To improve the access of entrepreneurs to information about grants and credits and conduct a series of training sessions on preparing grant and loan applications.

3.3. To provide consultations on the organization and implementation of public-private partnership projects.

4. To strengthen the role of public-private partnerships in the context of decentralization.

4.1. To create platforms for business communication and organize interregional business forums.

4.2. To share the best practices of public-private partnerships.

4.3. To organize outreach activities to promote public-private partnerships and the regulatory regime of international public-private partnerships.

The proposed measures of the PPP "road map" are designed to stimulate the introduction of the international public-private partnership regime for implementing long-term projects in the regions of Ukraine and strengthen their investment attractiveness for private investors and international financial organizations.

## 5. Conclusions

The formation and development of the regulatory regime of international public-private partnerships is a dynamic process that requires constant study, analysis, and scholarly generalization. Thus, keen interest in IPPPs is explained by the fact that in terms of partnerships, there appear new effective models of financing; the redistribution of state property occurs following the criterion of efficiency; more progressive methods of management are used; financial resources and donor assistance of international organizations are attracted.

It has been found that partnerships between the state and business primarily focus on achieving the Sustainable Development Goals and have a more synergistic effect due to the cooperation of specific capacity of private and public property.

The regime of international public-private partnerships is a technology of the public regulation of the economy to achieve the Sustainable Development Goals through the tendering admission of business to the sphere of state responsibility and cooperation with international organizations driven by pooling resources and competencies, the distribution of risks, obligations and benefits, and the observance of the economic interests of all partners. The institutional support of public-private partnerships, which is favorable for fulfilling business interests and maintained by the public party, plays an essential role in introducing the regime of international public-private partnerships.

The regulatory regime of international public-private partnerships has significant potential; it is a mechanism for attracting investment in infrastructure development, both economic and social, to achieve the Sustainable Development Goals. For Ukraine, international public-private partnerships are the basis for expanding opportunities in preparing projects on infrastructure development and post-COVID economic growth.

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