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THE INTERACTION BETWEEN GOVERNMENT AND BUSINESS IN UKRAINE: BASICS, STUDY THE EXAMPLE OF LVIV AND THE WAYS FOR ITS IMPROVEMENT

Summary

A large number of works regarding theoretical, methodological and practical developments, as well as the regulatory and legal framework relations between government and business in Ukraine were studied. Main advantages and risks for state and private partner in PPP projects were assessed and general mechanisms of their overcoming were proposed. The prerequisites for the successful implementation of PPP projects were established; risks that may stand in the way of their successful implementation were identified; measures to ensure the success of the prerequisites for the implementation of PPP projects and to overcome risks were proposed. The expected effect of the implementation of the proposed measures to ensure the success of the prerequisites for implementing PPP projects and overcoming risks was highlighted. The effectiveness level of the general interaction among state, business and civil society in Lviv was asserted; possible directions for improving the interaction among government, business and civil society in Lviv were also given.

Introduction

In modern conditions, the domestic economy and society functions as a socio-political system that requires complex interaction of society, business and the state. The authorities expect that business is able to solve urgent problems of the economy, and social institutions – socio-economic problems. That is why the authorities need to develop a new system, ideas, mechanisms and forms of social and political life that can contribute to the systematic self-improvement of society and business for the development of the state. Therefore, the coordinated interaction of government and business becomes important due to ensuring the necessary balance of interests of the participants of socio-economic development. One of the main means of mobilizing existing reserves of socio-economic development, increasing the country's competitiveness and the standard of living of the population is the effective interaction of

government and business, which should be equated with public-private partnership (PPP).

Chapter 1. Basics of interaction between government and business in Ukraine

According to the Sustainable Development Strategy “Ukraine-2020”, the main tools of interaction between the government and business are: restoration of macroeconomic stability, ensuring sustainable growth of the economy in an environmentally sustainable way, creating favorable conditions for conducting economic activities and a transparent tax system [1].

In international practice, the interaction between government and business (partnership of a state and a private entity) usually means formalized interaction based on the conclusion of agreements between the state and private entities. There are no separate types of interaction based on the forms of agreements, in general, it is about attracting private investments (private financing) or private experience (knowledge, skills, management) to a state object. Investment or management costs are covered by the receipt of profits by the private entity from the use of the investment or management object during the entire period of validity of the contract. The most typical areas for concluding agreements between the state and private partners are the provision of important public / communal services (transport services, energy production, water supply / drainage), education, health care, etc., i.e. those areas where privatization is not justified. The main goal of such PPP is to use the strengths of the subjects to implement projects of infrastructure development or the provision of public services on the basis of increasing effectiveness and efficiency compared to the situation when each partner would deal with infrastructure development projects or the provision of public services independently.

In the Law of Ukraine “On Public-Private Partnership”, PPP is defined as cooperation among the state, territorial communities represented by relevant state bodies and local self-government bodies (state partners) and legal entities, except for state and communal enterprises, or natural persons – entrepreneurs (private partners), which is carried out on the basis of a contract in the manner established by this Law and other legislative acts [2]. PPP is an institutional and organizational alliance of the state and business with the aim of implementing national and international, large-scale and local, but always socially significant projects in a wide range of spheres of activity: from the development of strategically important industries and research and design works to the provision of public services.

Current legislation states that the main forms of cooperation between the state and business are: concession; property management (provided that the investment obligations of the private partner are specified in the contract); joint activity on the basis of a contract and on the basis of project financing (rental

and leasing contracts, state property management, product distribution agreements, contracts, public procurement, etc.). The main regulatory acts that regulate PPPs in Ukraine: Laws of Ukraine “On Public-Private Partnership” [2]; “On Production Sharing Agreements” [3]; “On Concession” [4]; “On Land Lease” [5]; “On the Peculiarities of Leasing or Concessions Centralized Water, Heat Supply and Drainage Facilities that Are in Communal Ownership” [6]; “On Lease of State and Communal Property” [7]; Resolution of the Cabinet of Ministers of Ukraine “On Approval of the Methodology for Calculating Concession Payments” [8] and others.

Advantages and risks for the state and the private partner are presented in Table 1.1. Despite its popularity, the implementation of partnership agreements between the state and a private partner is not always successful. Most often, the state concludes agreements in areas where it seeks to avoid privatization of state property, and therefore considers the form of attracting private investment to be a compromise. In all cases when the privatization of a state object does not pose a threat to the interests of the state, it acts as a priority way of disposing of the object, as it does not cause the following risks for the state that may arise in partnership agreements in connection with the exploitation of the object and return investments.

Table 1.1

**Advantages and risks for the public
and private partner during the partnership¹**

#	Partner	Advantages	Risks
1	State	Obtaining knowledge Gaining experience New innovative approaches Involvement of material and financial resources	Growth in the value of investments Increase in the cost of using the facility for end users Reimbursement of risk coverage for the private partner Increasing level of conflicts in society Low level of quality of service provision by a private partner Complexity of concluding agreements
2	Private partner	Gaining access to new business opportunities State guarantees Reducing risks Increasing control over the efficiency of the investment process	Corruption risks

¹ Formed on the basis of [9]

On the other hand, in a situation where the state needs to create a new facility, modernize an existing one, or improve facility management, together with the lack of necessary financing, partnership agreements can be more attractive to the state than credit agreements, as they ease the burden on the state budget and do not need compensation from the state (the private partner receives compensation from the use of the facility). The basic tool for decision-making regarding the conclusion of partnership agreements between the state and a private partner is the “benefit-cost” analysis, on the basis of which it is possible to conclude about the relationship between quality and price and choose exactly the type of agreement that will be the most financially attractive and meet the development goals of the state and society. Therefore, the conclusion of partnership agreements between the state and a private partner is an alternative to the privatization (alienation) of state facilities and the purchase of state facilities. The conclusion of such agreements should correspond to the goals of the development of the state and society and take place in the case when, according to the results of the “benefit-cost” analysis, privatization and the purchase of state objects are less financially attractive. It is expedient to enter into agreements in the spheres of construction, modernization and management of objects that are socially important and resource-consuming, in the case of the unavailability of the use of resources for the state, as the owner of the object. Also, agreements are often concluded for large investment programs that are impossible or rather difficult to implement without the participation of private partners, while it is worth remembering to analyze all the benefits (prospects) and costs (risks) of such projects.

Risks/problems in PPP can harm its successful implementation. The most possible are presented in Table 1.2 along with the proposed mechanisms for overcoming them.

In order for the PPP to become successful, it is necessary to ensure the prerequisites for the implementation of state partnership projects. In addition, in the process of implementing projects, there may be risks to their successful implementation, to overcome which it is necessary to implement appropriate measures to overcome them, the implementation of which will ensure the desired effect. Prerequisites and risks for the successful implementation of PPP projects, proposed measures to ensure prerequisites and overcome risks, and the expected effect of their implementation are presented in Table 1.3.

In order for the PPP to become successful, it is necessary, first of all, to ensure the stability of state development policy priorities and the predictability of state regulation. Since PPP projects are concluded for a long period between the state and the private partner, the private partner faces increased risk during the project period. Most of the large PPP projects in the world in 2005-2015 were designed for a period of more than 20 years, so the change in state development priorities and state regulation mechanisms negatively affected the

prospects for their implementation [9]. Second, the successful implementation of PPPs requires investment protection, as its lack is often one of the main obstacles to attracting international investment. It is mandatory to develop effective mechanisms for the possibility of challenging the results of PPP tenders, review of complaints by independent parties, ensuring integrity / transparency of the procedure for consideration of PPP cases (disputes) in courts, providing support to private partners from the state. An analysis of more than 3,700 PPP projects in the world found that in a quarter of them, disputes arose between the public and private partners during the duration of the project [9].

Table 1.2

Risks for PPPs and proposed mechanisms for overcoming them²

#	The main risks of PPP	Proposed mechanisms for overcoming them
1	Corruption	The procedure of calculating volume/term of (private) investment The procedure of establishing additional funding from the state Control over partnership agreements implementation by the state
2	Complexity	Distribution of risks; performance indicators determination Ensuring the transparency of concluding agreements procedure Adequate knowledge and competences of the state State attention to concluding partnership agreements procedure
3	Political and regulatory risks	Stable priorities for the development of the state Stable legal framework and state regulation mechanisms
4	Cost overruns Financial impracticality of expenses	Accurate cost estimation Avoiding overspending Effective management of financial risks
5	Distribution of risks	Detailed risk analysis Effective risk allocation, assessment and mitigation strategies
6	Lack of partnership experience and skills	Involvement of parties to partnership agreements with relevant knowledge, potential, experience, and resources
7	A long period of project implementation	Compliance with quality standards, performance of target indicators by a private partner Ensuring the mechanisms reliability of monitoring, control and evaluation of results effectiveness obtained from the state partner Stability of the regulatory framework, state policy regarding public-private partnership Monitoring Evaluation of projects Balancing the interests of the state and private partner Accountability and transparency of partnership implementation

² Formed on the basis of [9]

Thirdly, the state must constantly monitor the efficiency of the private partner's work in terms of its fulfillment of the agreements based on the basic performance indicators (KPI) determined during the competition. If monitoring is not carried out on a permanent basis, performance indicators are not determined at the tender stage, there are risks regarding the condition of the object and the quality of its maintenance at a worse than expected level.

Table 1.3

Prerequisites and risks of successful implementation of PPP projects, proposed measures to ensure prerequisites and overcome risks and the expected effect of their implementation³

#	Prerequisites	Risks	Overcome risks measures	Expected effect
1	2	3	4	5
1	Stability of state development policy priorities, transparency of state regulation	Long period of projects Change in state development priorities / regulation mechanisms	Ensuring long-term stability of state policy priorities, state regulation mechanisms State support mechanisms provision	Increase in the share of implemented projects, project implementation efficiency
2	Lack of investment protection mechanisms	An obstacle to attract investment Arising of disputes at the competition stage and during the implementation period	Contesting competition results effective mechanisms development, consideration of complaints by independent parties, ensuring transparency for disputes consideration in courts	Increase in investment volumes Increase in the number of (implemented) projects
3	Ensuring constant monitoring and state control of the effectiveness of the private partner's work in the project	Deterioration of the condition, quality of maintenance, management system of the object	Monitoring and control Implementation of monitoring and control on a permanent basis Setting performance indicators during the competition	Improvement and maintenance of facilities Project implementation efficiency increase
4	Ensuring the clarity and transparency of the definition of partnership terms	Not balancing the interests of partners Losses by the state partner, violation of the interests of a private partner	Object's management period determination Calculations adjusting procedure, income / expenses control and compliance order development	Improvement and maintenance of facilities, quality services, project implementation efficiency rise

³ Formed on the basis of [9]

(End of Table 1.3)

1	2	3	4	5
5	Implementation of support of projects	Projects complexity State constant support requirement State partner relevant experience availability	Projects implementation effectiveness; fulfillment of planned indicators, compliance of the performed and planned works, transparency of control	Implemented projects share rise Project implementation efficiency increase
6	PPP infrastructure projects influence on various interested parties	The state should take into account the impact of PPPs on all interested parties and social effect	Taking into account the satisfaction of the interests of all interested parties in the project, as well as obtaining a long-term social effect	Increasing the level of satisfaction of interests, long-term social effect
7	Ensuring the possibility of reviewing the terms of the project	Review of projects during the first year Change in project performance opportunities	Definition of a clear and transparent policy by the state, which will provide guidelines for the possibility of revising project terms	Increasing the share / efficiency of implemented projects

Fourthly, ensuring the clarity and transparency of the definition of partnership conditions, in case of failure of which there will be significant risks of balancing the interests of partners during the project. The state must develop a policy regulating the procedure for determining the period of management (use) of the object by a private partner for reimbursement of private expenses, the procedure for carrying out, clarifying and adjusting planned calculations, the procedure for monitoring, controlling and evaluating the effectiveness of compliance between expected and actual income and expenses during project. Otherwise, there are risks of the state partner receiving losses and risks of violating the interests of the private partner. Fifthly, there is a need of implementation and support of projects. Despite the widespread view on the part of the state that it is easier to solve the problem with the help of PPP than the direct implementation of state management and financing of the object, such projects are complex and require constant support, participation and support of the state partner throughout the entire period of implementation, monitoring, control, and evaluation of the effectiveness of the implementation projects, ensuring the implementation of planned indicators, conformity of the completed works with the planned, transparency of the involvement of material and financial resources. This requires the relevant knowledge and experience

of the state partner, as well as ensuring the integrity and transparency of the monitoring, control and performance evaluation processes.

Sixthly, PPP infrastructure projects have direct and indirect impacts on various stakeholders. Therefore, the state should pay attention not only to the financial feasibility of projects, but also to the impact of projects on the interests of interested parties, in particular, the achievement of an increase in the quality of services, the correspondence between the increase in quality and the cost of providing services for interested parties. It is also necessary to take into account the satisfaction of the interests of the state and the long-term social effect. Seventhly, there is a need of ensuring the possibility of reviewing the terms of the project. The results of the analysis of the world's PPP projects show that 45% of the projects were revised during the first year of implementation [9]. As a result of external changes, the possibility of increasing the effectiveness of projects may require a review of the project conditions, during which there are likely to be risks of a decrease in transparency, resulting in a decrease in trust between partners, a decrease in the possibility of ensuring competitive procurement during projects. Risks can be avoided through the definition of a clear and transparent policy by the state, which will provide guidelines for the possibility of reviewing the terms of the project and its proper justification.

Chapter 2. Study of interaction between government and business in Lviv, Ukraine

The interaction of government, business and civil society in Lviv, Ukraine is reflected in a number of strategic documents. In particular, the Charter of the territorial community of the city defines the main goals of the sustainable development of the city and the community, among which is the promotion of social and economic development, which is ensured through the interaction of representatives of international organizations with the city community. Such interaction will enable to use the best practical experience of including community representatives in decision-making processes, improving health care, public safety, stimulating the local economy, creating new jobs, preserving cultural heritage and ensuring a clean environment [10].

The city has developed:

- An integrated concept of development of the central part of Lviv, in the process of formation of which representatives of the executive power and local self-government, municipal enterprises of the city, representatives of international organizations, public institutions and the community participated [11];
- The competitiveness strategy of Lviv, in the process of creation of which representatives of international organizations participated in interaction with representatives of the executive power and local self-government, business and

community. The competitiveness strategy was built according to the cluster approach. It is aimed at the formation of a single economic base, on the basis of which both industry clusters and the economy of the city develop. The unified economic base will stimulate the economic potential of the city; will become the basis for the future intensive development of various branches of the city's economy. On a single economic base, knowledge, ideas, and people will be united around a single development strategy, deepening of cooperation within the cluster, accumulation of social capital, acquisition of practical experience, development of the general infrastructure of the functioning of target markets [12].

The results of a survey of the opinions of employees, members of the Lviv City Council (LCC), business and community representatives, conducted by the SEDOS Analytical Center on the process of decision-making, interaction of executive authorities, local self-government, business and community in the cities of Ukraine, in particular, in Lviv, allow us to confirm about the revealed sufficient level of effectiveness of interaction between the government, business and community of Lviv. In particular, as a result of the analysis of the Charter of the territorial community, a number of mechanisms for the involvement of community representatives, public organizations and businesses in the management and decision-making process in the city were revealed. There is a separate department of public partnership within the executive committee of the LCC. The competences of this department include communication with the public. Also, it is possible to mention the successfully implemented partnership projects of the LCC and public organizations. As a disadvantage, we can note the different level of efficiency of involvement of community representatives, public organizations and businesses in the process of management and decision-making in the city [13].

Analyzing the possibilities of participation in the formation of city development policy, it can be stated that representatives of the community and business have a number of opportunities to participate in this process, in particular, through influencing the formation of strategic directions of the city's development and solving those problems of urban development through such tools as local elections, nominating candidates for deputies, formulating appeals to deputies, participation in public councils, public hearings, working groups, obtaining legal and other public consultations, submitting petitions and complaints, public budget projects, direct participation in direct actions, pickets, protests. There are mechanisms for correcting the decisions made at the initial design stage (hotline for complaints). However, about 60% of the community's proposals are not taken into account, although arguments for their non-consideration are presented [13]. On the other hand, there were precedents in the city of cancellation of the LCC decisions under public pressure. The city has many channels of communication through which comments and

suggestions can be submitted regarding the LCC solutions, but there is no / opaque / unclear reaction and feedback mechanism.

The correspondence of strategic decisions regarding the development of the city in the process of adoption to strategic city documents and socio-economic development programs, as well as the city budget (in terms of expenditures allocated to them) was revealed, in particular, in accordance with the competitiveness strategy of Lviv, priority areas of development were established, among which there is the development of the tourism sector. According to the results of a survey carried out on a regular basis by the Tourist Information Center, the need to redirect tourist flows, which are concentrated in the central part of the city, to other city areas was revealed, accordingly, a decision was made to allocate funds for the development of the Pidzamche district to increase its tourist attractiveness. Also, a decision was made to pay attention to the development of conference tourism as a way of attracting high-income tourists who will make repeat visits to the city for tourism purposes, after visiting it for work purposes (special events, meetings, conferences, forums, etc.). Therefore, surveying experts and the public and taking into account the results of these surveys, accompanying and supporting the functioning of clusters allows improving the process of forming the strategic development of the city.

A high level of use of research and data in the process of work by both employees, deputies of the LCC, and business representatives has been established, as well as a high positive assessment of the opportunities for the development of public organizations and the public sphere in Lviv and a high level of interest of all parties in interaction and cooperation to obtain a common result. Representatives of the community and business show a high interest in participating in competitions to implement their own ideas, and representatives of local self-government seek to involve experts from the community and business environment to improve the decision-making process.

Three groups of problems that arise during the interaction of representatives of local self-government, business and community in Lviv have been studied based on the results of analyzing the experience of interested parties. First of all, these are systemic problems, such as the influence of the employee's personality on the quality of the services provided by him, the influence of the sphere of services provided on their quality (for example, it is possible to single out higher quality services in the cultural sphere and lower quality in construction), lack of duration of cooperation of local self-governance with business and the community in connection with the high turnover of personnel in the LCC, lack of trust of the LCC employees in representatives of business and the community due to typical negative features –insufficient level of expertise and seriousness of intentions, excessive (over)use of grant funds and

opportunities, lack of a support system local self-government of public organizations and business.

Secondly, these are budgetary and procedural problems that are related to the rules for regulating operations with funds allocated by local self-government for the implementation of projects, the need to improve these rules, conducting operations for the distribution of allocated funds, namely problems caused by an insufficient amount of allocated funds for successful and large projects, the withdrawal of allocated funds through individual entrepreneurs, the lack of full-time accountants in public organizations and objective obstacles to their involvement, the budgetary inflexibility of projects in combination with their too long implementation.

Thirdly, these are communication problems related to situations of the use of public projects by self-governing bodies for self-promotional purposes, the absence / inadequacy of communication support for public events. The most typical communication problems on the part of the LCC towards business and the public include stereotypical attitudes and lack of trust, suspicions about the involvement of the LCC employees, lack of information about the distribution of responsibilities between different units within the LCC, a slow decision-making process due to the involvement of interested parties in it, lack of cooperation and coordination of work between public organizations in the long term to achieve common goals as opposed to quick results. To overcome the most typical communication problems, cooperation in the exchange of knowledge between representatives of the LCC, business and community is required, which will result in the growth of everyone's competencies, the exchange of employees based on internship / employment, the development of the mechanism of social order for the delegation of the provision of social services of the LCC to public organizations on a competitive basis.

The problem of mistrust among the LCC, business and community representatives is analyzed, despite successful cases of interaction among local self-government, business and the public in Lviv. This problem is based on the non-use / incomplete use of mechanisms for involving business representatives and the public in the decision-making process due to the lack of complete and reliable information about the activities of each of the interested parties in certain issues.

Recommended measures for improvement cooperation with representatives of business and the community is to ensure the availability of complete and reliable information / training regarding project procedures, improvement of project financing rules for supplementing post-payment with advance payments, simplification of interaction procedures with the state treasury, strengthening of support and accompaniment of the LCC project financing procedure, its optimization, achievement maximum client-orientation in the provision of services / communication by improving the functioning of the

service provision system, increasing the level of awareness of the content of meetings of the LCC and its specialized commissions.

There is a need to recognize the imperative of training to improve the interaction among local government, business and community. In particular, it is necessary for the LCC employees to take advanced training courses, acquire new knowledge, improve their own stress resistance, conflict management procedures, and master the basics of urbanism and city development. Business and community representatives need to acquire project management skills, the basics of budget financing, and communication skills.

It is necessary to ensure the maximum involvement of business and community representatives in the decision-making process regarding the development of the city and to create the foundations to prevent risks to the efficiency of decision-making due to the increase in the number of participants. The maximum involvement of interested parties is the basis for the presence of business and community needs and expands the range of options for choosing the most optimal solution. In reality, business and community representatives have limited access to solving strategic issues in the field of infrastructure, construction, preservation of historical value, instead, it is provided in the areas of the public budget, tourism, art, education, social sphere, culture, and development of public spaces.

Evaluating the level of involvement of business and community representatives in the decision-making process from the highest to the lowest level, we could mention the high level in the areas of appeals to the city hotline, public budget, electronic petitions, public hearings, and appeals to the LCC deputies. At the same time, the maximum efficiency of the involvement of business and community representatives in the process of project decision-making is present in the mechanism of direct appeal to the project stakeholders – deputies of the LCC, management of the LCC, the profile committee of the LCC through letters, appointment, writing an appeal, participation in the work of deputy commissions. Identified trends of business and community involvement in the decision-making process, problems of interaction among executive authorities, local self-government, business and community in Lviv and recommended directions for their solution are presented in Table 2.1.

Table 2.1

Business and community involvement in the decision-making process trends, problems of interaction among authorities, business and community in Lviv and recommended directions for their solution⁴

#	Business and community involvement in the decision-making process trends	Problems of interaction among authorities, business and community in Lviv	Recommended directions for their solution
1	2	3	4
1	Authorities, business and community interaction effectiveness:	Different level of community representatives, NGOs and business involvement effectiveness in management and decision-making in the city	Ensuring the maximum involvement of business and community representatives in decision-making regarding the development of the city and creating the basis for preventing risks to decision-making efficiency due to the increase in the number of participants
a	Community and business management involvement		
b	PPP department in the LCC		
c	Implementation of partnership projects of the LCC and NGOs		
2	Business and community participation opportunities in city development policy:	About 60% of community proposals are not taken into account	Ensuring the maximum opportunity for business and community participation in the formation of city development policy through the formation of mechanisms of influence, reaction, adjustment, and feedback
a	Influence tools	There is no / there is an opaque / there is an unclear reaction and feedback mechanism in the decision-making process	
b	Adopted decisions adjustment		
c	LCC decisions cancelling		
d	Authorities representatives understand that they serve the community		
3	The level of validity of the LCC decisions	Absence of validity criteria	Ensuring criteria for the validity of the LCC decisions
4	Making strategic decisions on the development of the city:	Ignoring the expert opinion of business and community in making strategic development decisions	Conducting surveys and taking into account their results, supporting clusters allows to improve the process of strategic development of the city
a	Correspondence of strategic decisions to strategic city documents		

⁴ Formed on the basis of [13]

(End of Table 2.1)

1	2	3	4
5	Research use level in the work of the LCC, in business	Results presentation complicates understanding	Presentation of results in a convenient form (info graphic)
6	Possibilities for the development of public organizations and the public sphere; the interest of authorities, business and the community in interaction and cooperation to obtain a common result	Mistrust among the LCC, business and community	Business and community involvement in decision-making, reliable information about the activities of interested parties
a		System problems	Reliable information / training regarding project procedures
b		Budgetary and procedural problems	Increasing awareness level of the responsibilities division within the LCC, making proposals for internships in the LCC
c		Communication problems	Cooperation in the exchange of knowledge among the LCC, business and community

Chapter 3. Improving of interaction between government and business in Ukraine

The main problems of entering into, financing and implementing PPP projects in Ukraine are: insufficient / lack of state financing of projects of communal infrastructure modernization; insufficient understanding level of financial institutions of communal enterprises risks; complicated conditions for returning investment funds and obtaining guarantees for their return; complicated conditions for attracting borrowed funds by local self-government bodies; high cost of borrowing financial resources; the political, economic and social situation in Ukraine, which does not favor the inflow of direct and portfolio investments; limited access of foreign capital due to armed aggression on the territory of Ukraine; problems with the servicing of borrowed loans due to the impossibility of guaranteeing permanent income; shortcomings of state regulation; lack of necessary institutional infrastructure; undeveloped legal framework; low level of state support in the field of PPPs [14, p. 6].

To strengthen the interaction of government and business, it is necessary to improve state regulation, in particular, to ensure transparency, reduce the level of tariffs and taxation, establish institutional infrastructure, ensure state support for PPP processes, and improve the regulatory and legal basis for implementing PPPs in Ukraine. Close interaction between government and business can act as an effective lever for strengthening Ukraine's competitive advantages, in particular, ease of market entry for business, clarity, transparency, comprehensibility and stability of registration and document processing procedures in a short period of time, availability of free facilities and low levels of taxation, official rules of cooperation between government and business,

receiving the relevant documents on time and without obstacles, reforming cooperation in accordance with the requirements of European integration.

The analysis of the main problems of interaction between government and business in Ukraine revealed the weak position of Ukraine in attracting international investment, which has a negative impact on the system of building a partnership between government and business. Among the main reasons of attracting international investment problems we can mention: low level of trust in the judicial system of Ukraine; instability of state development priorities and state investment policy; lack of establishment of strategic / long-term goals of the state's development in strategic documents, their inconsistency, discrepancy between declared goals and practical measures; high corruption risks; opacity, vagueness, instability, complexity of the permit system of Ukraine and the field of construction; low level of investment protection; low level (lack of) provision of (effectively) existing project management institutions, etc.

In order to overcome these problems, it is necessary to reform the judicial and law enforcement system, to improve the investment protection system, in particular, in the area of the possibility of challenging abuses by state entities of their position, to form a system of effective project management institutions and to ensure the support of project management.

Ukraine's vision of a partnership between government and business reduces to a simplified attempt to solve complex problems. It is necessary to understand that PPP projects, and especially those concluded in the form of concessions, are one of the most difficult forms of interaction between a state and a private partner. Effective implementation of such forms of interaction requires the availability of relevant knowledge, competence and experience of the state, ensuring integrity and transparency in the implementation process, ensuring the provision of support, as well as monitoring, control, and evaluation of project implementation effectiveness throughout the entire period of its implementation. Chaotic, unsystematic implementation of PPP projects, failure to provide proper monitoring and control systems for project implementation, lack of mechanisms for determining the conditions for conducting tenders and winning them may lead to negative consequences and significant social problems in future. For the proper functioning of the PPP system, it is necessary to implement measures that would increase the institutional capacity of this sphere in Ukraine, to develop a policy of PPP and a methodology for its implementation, and to reform the system of investment protection in Ukraine.

The analysis of the legal framework of PPPs in Ukraine revealed the main problems in the field of legislation, in particular, the generality of the legislation, which regulates the sphere of PPPs, and its gaps in clearly defining the processes of cooperation between state and private partners in various forms of partnerships. In the EU, PPP is carried out in the form of concession, object

management transfer and joint venture, but there are many forms of partnerships. In Ukraine, certain concepts and definitions of PPPs are significantly different from EU legislation, which is potentially a big challenge, based on Ukraine's European integration needs. It is possible to single out a number of problems of Ukrainian legislation regulating PPPs, in particular: legislation not harmonized with the EU; the legislation on PPPs is not coordinated with the legislation of Ukraine, which regulates other areas; generality of PPP legislation; weakness (inefficiency) of partnership institutions; lack of clarity of partnership projects implementation procedure; lack of a clear methodology for calculating state compensation to a private partner in case of breach of obligations by the state; lack of benefits for private partners regarding partnership implementation [15].

During 2018-2023, Ukraine worked on reforming the sphere of PPP, in particular: the State Agency for Support of PPP was created (the beginning of the formation of partnership institutions) [16]; the Law of Ukraine "On Concession" was adopted [4]; a number of by-laws have been approved regarding the analysis of PPP implementation effectiveness and the methodology for determining the size of concession payments. However, it seems impossible to assess the results of work on reforming the PPP sphere in Ukraine due to the full-scale invasion of the Russian Federation, since most PPP projects have been stopped, and the resumption of active work in the sphere is unlikely in the near future.

In 2022, the draft law of Ukraine No. 7508 "On Amendments to Certain Legislative Acts of Ukraine on Improving the Mechanism for Attracting Private Investments Using the Public-Private Partnership Mechanism to Accelerate War-Destroyed Facilities and Construction Related to Post-War Ukrainian Economy Reconstruction" was proposed for consideration by Verkhovna Rada [17]. This draft law proposes making significant changes to more than ten laws that regulate the field of PPPs in Ukraine. According to the positions of the authors of the draft law, it will regulate the post-war reconstruction of Ukraine, in particular, the restoration of infrastructure and economy, with the active use of PPP mechanisms; refines the PPP definition; expands the scope of PPP application; approves the list of state partners; determines the procedure for the preparation of PPP projects, in particular, shortens and simplifies it; establishes the procedure for preparing and conducting tenders for the selection of private partners, selection of PPP projects in various fields; updates competitive electronic bidding procedures according to EU standards. Potentially, the draft law improves the regulation of the PPP sphere in Ukraine, harmonizes the legislation of Ukraine and the EU, however, according to the analysis of the latest version of the draft law by experts, it will not achieve its own goal, contains great risks and does not lead to balancing the interests of the public and private partners in the partnership. In particular, it submits the settlement

of disputes between state and private partner to the competence of the administrative courts of Ukraine and does not offer an alternative mechanism, for example, as in public procurement (appeals to the board of the Antimonopoly Committee of Ukraine), which can cause mistrust / undermine trust (low level of trust in the national legislation is observed in the business environment and society). The project defines a non-exhaustive list of criteria for the classification of participants in the competitive selection (the risk of abuse by the competitive commission when setting requirements for participants). It contains a significant inconsistency with the main document that regulates the field of PPPs in the EU – Directive 2014/23/EU, which establishes the duration of concessions, based on the expected period of return on investment and obtaining the planned profit by private partner (according to the project, the duration of concluding concession agreements is possible beyond the specified expected term), which causes risks based on the needs of European integration and harmonization of the legislation of Ukraine and the EU. Therefore, in the current version, the draft law does not adequately ensure the process of reforming Ukrainian legislation in the field of PPP.

Analysis of the current state of PPP development in Ukraine revealed the main problems in the sphere of PPP. In particular, the analysis of the registry of concession contracts concluded in Ukraine shows that they are mostly concluded for a maximum term of 49 years (90% of all concession contracts concluded in Ukraine) [18]. At the same time, there are no justifications for the expediency of such a maximum duration of concluding concession agreements. In most cases, there is no justification for the choice of this investment attraction mechanism as opposed to others, in particular, the privatization of state property. There is no adequate open information about the content of concession agreements. The available data do not allow drawing a conclusion about the scope of works under the concession agreements and the expected results. Analyzing, for example, the agreement on the concession of the architectural monument of the palace in the village of Tartakiv for 49 years, the goal of the concession agreement was established – the restoration of the object and its transfer to private management. As of 2023, when more than 10 years have passed since the conclusion of the concession agreement, the restoration of the object has not been started, but the concession agreement has not been terminated. The problem of lack of control over the concession agreement effectiveness implementation was revealed. The analysis of most of the concluded concession agreements in Ukraine shows that they are considered by the private partner as a more profitable form than privatization, the lack of control, and therefore the non-obligation to fulfill own obligations in accordance with the concession agreement. The most recently concluded concession agreements of the ports of Kherson and Olviia are not amenable to adequate analysis, since the process of signing the agreements was extremely

long (2 years) as a result, in particular, of the legal disputes that arose in the process of signing the concession agreements, regarding contesting the results of the tenders, and ended before the start of the full-scale invasion of the Russian Federation. As of 01.01.2023, 193 contracts have been concluded in Ukraine, of which 18 are implemented, and 162 are suspended (13 – due to the aggression of the Russian Federation, 116 – not implemented, 46 – terminated / expired) [18].

Table 3.1

The main directions for the implementation of PPP projects and concessions in Ukraine and Lviv in the perspective of post-war reconstruction⁵

#	Main directions	Implementation in Ukraine	Implementation in Lviv
1	2	3	4
1	Railway transport	Development of high-speed passenger transport networks Management of railway stations Construction of critical railway infrastructure facilities (tunnels, bridges, terminals)	In 2020, the concession project of part of Lviv main train station premises was concluded. It dealt with a relocation of the suburban station closer to the main one, and the construction of an apartment complex, an office center, a shopping mall, and a parking lot for 1,000 spaces on the vacated territory. The city offered to take the station into communal ownership, and the mayor addressed National Security and Defense Council with a letter about the strategic object during the war and the non-exclusive possibilities of the aggressor’s influence on the concessionaire. The project was not implemented.
2	Automobile transport	Construction of additional automobile infrastructure Construction of bridges and tunnels Construction of toll roads in tourist areas Development of port logistics Development of internal transport infrastructure	In 2016, a concession project Lviv-Krakovets road construction (4 lanes, 85 km) was concluded. The concession term is 49 years, payback for the investor is achieved due to infrastructure facilities; logistics centers; travel costs (8 euro cents per km). The project has been extended to Cracow-Lviv-Brody- Rivne. As of 2023, project road construction and operation proposals have been developed (“Highway-South” with justification of the feasibility of attracting investments and relevant technical and economic indicators). There is a need to develop technical and economic feasibility reasoning, to approve the project, to purchase the land plots for construction needs, to conducting a competition and to identify a private partner.

⁵ Formed on the basis of [16, 19–22]

(End of Table 3.1)

1	2	3	4
3	Public transport	Development of public transport infrastructure	In 2020, PPP project “Construction of an underground multi-level parking lot on Petrushevych square, Lviv in accordance with the Law of Ukraine on PPP and the Memorandum signed between the LCC and the State Agency for Support of PPP. The conceptual note of the project was approved.
4	Social sphere	Development of medical and educational institutions Projects in the field of waste processing Water supply and drainage improvement projects	Implementation of a pilot medical PPP project, which concerns 3 hospitals, among them the emergency hospital of Lviv. As a result of the project implementation, 10 new operating rooms were opened (now there are 23 operating rooms), which are equipped with new equipment – operating tables, lamps, laparoscopic equipment, oxygen supply systems, heating, air conditioning, automated doors, automatic drainage for hand washing. The cost of the arrangement is 23 million UAH, from which 17 million UAH were attracted from the city budget in accordance with the Memorandum signed between the International Finance Corporation, the LCC and private partners on support for the development of the medical industry.
5	Energy sphere	Construction of new hydroelectric power stations and nuclear power stations Construction of wind and solar power plants Construction of hydrogen power plants	-

Lviv is the first city in Ukraine where in 2020 a list of projects that can be considered for implementation under the terms of PPP was approved. There are 11 PPP projects in the list, but it is not exclusive, but will be constantly updated in accordance with the main principles of project selection: availability of interested private partners; an appeal from the partner to the LCC with the initiative to implement the PPP project; state of projects readiness; priority of main facilities: construction of new and modernization of old transport infrastructure, urban planning, development of the territories of the main railway station of the city, arrangement of cultural, educational and sports facilities (emphasis on medium- or long-term strategic projects for the city)

[19]; approach to project preparation – quick implementation, ready state of projects, low level of complexity and speed of project preparation; expected private investments attraction of 10 billion of UAH; high-quality preparation of technical and economic substantiation of PPP projects for the city; transparency of the PPP process; involving third parties in the preparation of projects in the form of professional support or consulting, involving international organizations to improve the quality of project preparation; availability of technical and economic justification, assessment of legal aspects, financial capacity, financial risks.

The main directions for implementing PPP projects and concessions in Ukraine and Lviv in the perspective of post-war reconstruction are presented in Table 3.1.

Conclusions

The investigation of a large number of studies and the analysis of scientific developments regarding theoretical, methodological and practical developments, as well as the regulatory and legal framework regarding the development of relations between government and business, made it possible to conclude that at the current stage, research into the possibilities of the development of the PPP mechanism in Ukraine is insufficient. That is why further investigation of the problems of interaction between government and business are expedient and caused by modern socio-economic processes in society. Actual issues of application of PPP mechanisms in various sectors of the national economy and regulatory frameworks for the implementation and application of PPP mechanisms in Ukraine should be developed; statistical indicators of the implementation of PPP projects with the aim of developing and improving various sectors of the national economy in conditions of sustainable economic development should be researched.

In the process of assessing the advantages and risks for state and private partner, it was possible to identify the main advantages and risks, as well as to propose the main mechanisms of their overcoming. In order to ensure the success of the prerequisites for the implementation of PPP projects, it is necessary to take into account the risks that may stand in the way of their successful implementation. To overcome these risks, it is necessary to implement appropriate measures to overcome them, the application of which will ensure the desired effect. In the process of analysis, it was possible to establish the prerequisites for the successful implementation of PPP projects, to identify risks that may stand in the way of their successful implementation, to propose measures to ensure the success of the prerequisites for the implementation of PPP projects and to overcome risks. The expected effect of the implementation of the proposed measures to ensure the success of the

prerequisites for implementing PPP projects and overcoming risks was highlighted.

As a result of the conducted research, it is possible to assert a high level of effectiveness of the general interaction among state, business and civil society in Lviv, which is reflected in a number of strategic documents, however, different levels of effectiveness in the spheres of involvement were identified, and possible directions for improving the interaction among government, business and civil society in Lviv were also given.

According to the results of the study of the content of the interaction between government and business, its signs, development, and the main indicators that describe the macro-environment in Ukraine, it can be stated that the interaction between government and business is a priority direction of state economic policy in various spheres. Different forms of ownership, synergy of interaction between government and business make it possible to achieve the goals of economic and social development of society.

Global trends influence the processes of interaction between government and business in various spheres – the dominance of TNCs and clusters in the sphere of production, an increase in the share of high-tech knowledge-intensive goods and the share of services in international trade, the transformation of the financial sphere, urbanization and international migration, creation of a knowledge economy, problems of providing natural resources and food products, sustainable development as the basis of economic, social and ecological growth, decentralization of management, reduction of state regulation of macroeconomic processes. In this context, the main factors of influence on the interaction of government and business, which exert a negative influence, are the insufficient level of provision of regulatory and legal acts in this area, the absence of strategic documents with target indicators for the development of interaction between government and business by sphere, the insufficient level of development of financial and budgetary instruments to intensify the interaction between government and business, the insufficient level of experience in the implementation of projects of interaction between government and business in Ukraine.

Based on the needs of European integration, it is worth noting the obligation of Ukraine, in accordance with the Plan of Implementation of the Association Agreement with the EU, to take into account approaches to the development of various spheres of activity in economic policy, including the interaction between government and business.

PPP projects are an extremely powerful tool for attracting private investment for important objects of infrastructure, energy, and the social sphere. In the process of post-war reconstruction of Ukraine, a significant number of projects to restore transport, energy, and social infrastructure will be necessary to meet the need for large amounts of investment. PPP projects can satisfy this need in

the case of Ukraine's ability to ensure the sustainability and stability of state development policy, state regulation, regulatory and legal support, transparent and honest procedures for support, implementation, settlement of disputes, that is, Ukraine's provision of a stable and predictable environment for cooperation between private domestic and external partners with state entities of Ukraine. This tool requires a large amount of knowledge, competences, experience on the part of the state partner, because the effectiveness of PPP projects depends on, in particular, the correct establishment of project goals, adequate assessment of the ability to implement it, determination of the main necessary resources, effective project management, the possibility of transparent and honest consideration of conflicts and disputes to ensure the balancing of the interests of state and private partners during the entire period of project implementation. In order to ensure an objective and transparent process of conducting tenders, effective mechanisms for challenging unjustified / discriminatory actions of state partners should be created, as well as appropriate mechanisms for monitoring, controlling, and evaluating the effectiveness of projects by the relevant controlling state authorities. Therefore, the requirement for Ukraine is not only to reform the legal framework and harmonize it with EU legislation in accordance with European integration needs, but also to form an effective environment for the implementation and support of PPP projects. Draft law No. 7508 should become the basis for reforming the regulatory framework for PPP in Ukraine, but in its current version, it does not provide adequate tools to solve the mentioned problems.

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