

## PUBLIC PRIVATE PARTNERSHIP IN EXTERNAL ECONOMIC ACTIVITY: THEORETICAL ASPECTS

**Abstract.** The article analyzes the concept and the meaning of public private partnership. After the definitions of public private partnership were systematized, its essential characteristics were specified and its meanings in external economic activity were outlined. It made possible to improve the definition of public private partnership in external economic activity as the interaction between the state and business structures, namely Ukrainian economic entities and foreign economic entities (as well as the interaction between Ukrainian economic entities and other states), that is one of the conditions for attracting the necessary investments, increasing innovative activity of economy, developing economic and social infrastructure and solving economic and social issues, etc.

**Keywords:** public private partnership, external economic activity, theoretical aspects, economic development, interaction.

### Formulation of the problem

The modern economy of Ukraine is under transformation and requires significant innovations in many fields, as well as in the types of economic activities. This particularly relates to the interaction between the state and business, that is the so-called public private partnership (PPP). Its essence can be considered as individual projects, which are implemented jointly by public bodies and private companies. Together they develop the system of relations between the state and business, which is widely used as a tool of economic and social development at the regional, national and international levels [7].

The PPP platform, already existing in many countries, has proven to be rather effective. Since this type of interaction between the state and economic entities has more of the character of a cooperation system, which depends on both the state and private entities, the conditions of a mixed economy involve the private sector in all the stages of economic projects implementation. Conse-

quently, PPPs effectively address topical issues related to the development of economic systems and solve major economic and social issues. It should be noted that this type of partnership can also be the basis for solving those significant problems that have now affected many countries, including Ukraine. This is a matter of reconstructing the areas affected by armed conflict.

Regarding the state's participation in the development of the PPP system, it is worth noting that there are legal conditions and acts for implementing joint projects of the state and the private sector (The Concept of PPP Development in Ukraine for 2013-2018; the Law of Ukraine "Public Private Partnership" [5]; the draft Law "Strategy for PPP Development in Ukraine", etc.). Based on them, Ukraine implements the PPP projects in the following areas: sports, heat supply, health care, transport infrastructure, housing and communal services, etc.

The PPP projects were being largely developed in 2013, when the Department of Investment and Innovation Policy and PPP Development of the Ministry of Economic Development in Ukraine was implementing 160 projects within the PPP framework. The Ministry of Economic Development constantly monitored the effectiveness of the projects implementation based on PPP terms and analyzed the legislation in this area with the purpose of their further development.

These projects provided for the cooperation between the public and private sectors under the terms of a concession (a mutually beneficial agreement, under which the state grants business with the right to use certain entity or property), lease agreements and share participations. In addition, they were implemented in the fields of production, transportation, heat and water supply,

health care and power supply, tourism, leisure, recreation, culture and sports, geological exploration and mineral production, etc.

Their distinctive feature is that the proposals for partnership come mainly from public bodies to private sector representatives. This fact is associated with the establishment and development of the institutes for civil society in Ukraine and the power of public bodies allowing private sector representatives to conduct certain types of activities within their own competence [4].

It is important to identify and take into account all the factors for PPP and either create or borrow the existing models and methods of rational and efficient implementation of the PPP projects to further develop them and promote in the context of all the types of economic activities.

Despite the interest of the state and the private sector in Ukraine in such an interaction, its existing advantages and potential are not fully realized within the national economy, especially within external economic activity. This requires that both theoretical aspects and features of PPP in external economic activity should be studied. The foregoing makes it possible to justify the relevance of the chosen subject, its theoretical and practical value both for the Ukrainian economy and the world economy.

#### **The recent investigations and publications**

During the last years, the Ukrainian and foreign researches have been considerably focused on the study of the relations between the state and the private sector and PPP. The problem of the relations between the state and business and their interaction was described and analyzed in different contexts by such scholars as A. Klymenko, V. Korolev, M. Pasichnyk, K. Pavliuk, S. Pavliuk, O. Poliakova, V. Puchkov, O. Pyroh, V. Varnavskyi et al. [1-13]. The scholars defined the concept of PPP, its features, forms and characteristics of implementation and outlined its role in the development of the national economy, social sphere, etc. The generalized definitions of the PPP concept are presented in table.

#### **Purpose and objectives**

The purpose of the article is to determine the essential features and characteristics of PPP, its peculiarities and theoretical aspects in external economic activity, to outline its direct connection with external economic activity of economic entities, which will suggest the actual definition of

PPP in external economic activity.

#### **Main material and results of the research**

The modern economic processes and transformations in Ukraine are very important, on the one hand, for Ukrainian enterprises, namely for their integration into the international system of economic relations, and, on the other hand, are required to involve foreign businessmen in cooperation within and beyond Ukraine. The importance and significance of such relations is constantly increasing for the development of certain countries and especially for Ukraine. It is equally important and positive that countries participate in various forms and types of the international cooperation, the international division of labour and PPPs. Since this type of a systemic interaction is developing and can occur not only within the borders of one country, PPPs in external economic activity should be considered.

Based on the generalization of literary sources on the problem of determining the essence of the concept under study, the following features of PPP have been outlined:

- a systemic interaction;
- a strategic importance: a strategic orientation of the PPP projects towards solving topical social problems;
- innovativity: having considered the already implemented PPP projects, it should be noted that they provided for introducing the innovative methods of activity, technologies, etc.; therefore, PPP itself can be considered as an innovative method of interaction between private structures and public bodies;
- resource constraints: at the micro level, PPPs are individual projects that require a certain level of resources for their implementation, normally on an investment basis.

In accordance with the Law of Ukraine “External Economic Activity”, external economic activity is an activity of Ukrainian and foreign economic entities built on the relations between them, which occurs both on the territory of Ukraine and abroad; one of the important conditions for economic growth and development of any country [6]. It makes it possible to develop and discover novel promising directions for the export of goods and services. Due to this activity, Ukraine can solve the shortage of energy sources, the latest technologies, equipment and machinery, certain consumer goods, etc. Under the conditions of the

**Defining the concept of public private partnership**

Author/Sources	Definition
The Law of Ukraine "Public Private Partnership" as of July 1, 2010 [5]	Public private partnership is a cooperation between the state of Ukraine, the Autonomous Republic of Crimea, territorial communities in the person of the relevant public bodies and local self-government bodies (state partners) and legal entities, except public and municipal enterprises, or individuals – entrepreneurs (private partners), which is carried out based on the contract in accordance with the procedure established by the Law and other legal acts and corresponds to the features of PPP.
M. Pasichnyk [8]	Public private partnership is one of the principles of the New Public Management model. This is a model of public administration, which is based on the borrowing of corporate administration methods that are applied in business and non-profit organizations. It focuses on increasing the flexibility of decision-making in the state apparatus, reducing its hierarchy, delegating the powers to a lower level of decision-making and strengthening the mechanisms for feedback between the state and citizens.
A. Klymenko, V. Korolev, V. Varnavskiy [1]	Public private partnership is a legally established form of interaction between the state and the private sector in relation to economic entities and municipal ownership, as well as the services performed and provided by public and municipal bodies, institutions and enterprises with the aim to realize socially significant projects in a wide range of economic activities.
O. Pyroh [9]	Public private partnership is an interaction between the state and business, which is one of the most important conditions for shaping an effective investment policy, enhancing innovation activity in the economy, developing economic and social infrastructure.
K. Pavliuk, S. Pavliuk [7, p. 11]	Public private partnership is a constructive cooperation between the state, private entities and civil institutions in the economic, political, social, humanitarian and other spheres of social activity with the aim to implement socially significant projects based on the priority of the interests of the state, its political support, consolidation of resources of the stakeholders, the effective distribution of the risks between them, the equality and transparency of the relations in order to ensure the progressive development of society.
O. Poliakova [10, p. 318]	Public private partnership is a social institution, which includes a set of formal and informal rules, within which the joint activities of public authorities and the private sector are implemented based on a set of alternatives of conduct in order to meet the needs of society.
V. Puchkov [11, p. 289]	Public private partnership is an institutional and organizational alliance between the state and business with the aim to implement socially significant projects in a wide range of fields of activity: from the development of strategically important industrial sectors and research activities to the provision of public services. As a rule, every such alliance is temporary since it is established for a certain period of time in order to implement a specific project and ceases to exist after its implementation.
European Commission [13]	Public private partnership is reduced to the transfer of some powers, responsibilities and risks to the private sector to implement investment projects financed by the public sector.
O. Didchenko, S. Moskalenko [3]	Public private partnership is a cooperation between public bodies and the private sector in socially important sectors. However, the leading role is played by the private sector, which not only seeks to generate profits, but also recognizes social responsibility to society.

intensified transnationalization, international integration and globalization of the world economy and the international division of labour, the importance of external economic activity is increasing annually.

External economic activity is characterized by the following features:

a) it is, by its very nature, economic activity, that is “the activity of economic entities in the field of social production aimed at producing and selling products, performing relevant actions or providing value-added services that have accurate prices” [2];

b) this activity is based on the relations between economic entities that are under the jurisdiction of different states;

c) it can be conducted within or beyond Ukraine, with or without crossing its customs border [12].

Based on the determined essence and characteristics of PPP, the analyzed definition of

external economic activity and its characterized features, it can be concluded that PPP and external economic activity are directly related. The functioning of public property can be enhanced provided that partnership relations between the state and business are developed, since this will make it possible to attract additional resources in the public sector, in particular investments. With regard to the private sector, PPP increases the level of business social responsibility and consumer loyalty and reduces the risks of entrepreneurial activities. In addition, PPP enhances the efficiency of using available investment resources. Due to PPP, entrepreneurial structures in external economic activity gain access to additional investment resources if there are no such resources within the country. Also, it increases the level of projects’ innovativity, etc.

According to the obtained results, the concept of PPP in external economic activity can be defined as the interaction between the state and business structures, namely Ukrainian economic entities and foreign economic entities (as well as the interaction between Ukrainian economic entities and other states), that is one of the conditions for attracting the necessary investments, increasing innovative activity of economy, developing economic and social infrastructure and solving economic and social issues, etc.

### Conclusions and prospects for further research

PPP is aimed at solving economic and social problems, transforming the Ukrainian economy and involving it in the international integration processes, etc. Despite a range of positive legislative and proactive processes, PPP is still under development. In the field of international economic relations, it provides access to additional investment resources, distributes business risks, increases the level of innovative interaction, etc.

Therefore, the current research defines PPP in external economic activity as follows: the interaction between the state and business structures, namely Ukrainian economic entities and foreign economic entities (as well as the interaction between Ukrainian economic entities and other states), that is one of the conditions for attracting the necessary investments, increasing innovative activity of economy, developing economic and social infrastructure and solving economic and social issues, etc.

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