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THE MODELS OF PUBLIC-PRIVATE PARTNERSHIP IN
EUROPEAN COUNTRIES

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***Abstract:** The paper reviews current practice of public-private partnership across Europe and beyond it. The paper also empirically analyses the dependence of the financial performance, the dynamics of social investment projects of corporate social responsibility and the growth of wages. The analysis shows that there is no direct connection between corporate social responsibility programs of "SCM" Company Group and financial indicators of the Group due to prolonged and indirect impact of given projects on positive company image creating for all groups of stakeholders.*

***Key words:** public-private partnership, corporate social responsibility, Europe.*

The history of the use of mechanisms that are now in private-public partnership, started a long time ago. However, during the twentieth century there was a decline in the world's interest in private sector participation in infrastructure, on the contrary, in many countries there were processes of nationalization of private infrastructure companies. Provisions stating that certain infrastructure facilities may be located exclusively in the public domain appeared in the constitutions of a number of countries at that period.

In the 80s of last century the situation has changed. State government again aimed its views at the private sector as an important partner in the implementation of the tasks facing it. Mechanisms of concession, lease, joint venture and management have been widespread and were united under one economic and legal category. They were regarded as elements of the contractual relationships between the public and private sectors in the implementation of public interest. In 2000, the UN Millennium Declaration was first noted the need to develop long-term partnerships with private sector to achieve objectives of millennium.

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In our opinion, this was due to awareness of the cooperation importance between state and private sector objective conditions such as:

- availability of interests that are perceived and shared by society as a whole;
- understanding that the implementation of certain projects is not possible without cooperation of the government and business while rejection of them will rise systemic problems of social instability and, consequently will lead to the loss of confidence in government;
- unreadiness of public sector and big business itself to take on the risks of technologically sophisticated and financially intensive projects that takes a long time and requires political and economic stability;
- importance of interests coordination in this collaboration formation and its implementation, which requires accurate fixing obligations of the parties, mutual accountability, trust and respect for each other.

On one hand these characteristics let us determine state-private partnership as a new ideology of economic development and social services in today's complex and dynamic world. On the other hand it is possible to determine the direction and principles of government and businesses cooperation mechanisms development that formed long time ago such as how to transfer the management, leasing, concession, joint activities, etc., give them modern connotation, expanding their scope.

Widespread effects of PPP (Public Private Partnership) within all continents and in many areas that government has traditionally been engaged in are related not only to the limited budgetary resources to implement complex challenges that society is facing today and the need to use private funding for this purpose, but with the need to bring public sector to perform extremely complex project know-how and modern methods of work inherent in the private sector. "From control theory it is known that the complexity of the system (while maintaining the quality management) that manages and grows exponentially with the increasing complexity of control system." Today the complexity of governance is that public authorities are unable to cope with the challenges they face. Therefore, public-private partnership development can be considered as a part of more general tendency to view the role of government in the economy towards the transformation of its functions to direct the operator to the organizer, regulator and controller.

Research on global trends interaction between state and private capital was done by foreign and native scholars as J. Dunning, M. Casson, C. Kindleberhyer, V. Geets, I. Zapatrin, B. Kvasniuk, D. Luk'yanenko, I. Lunina, Y. Makogon, V. Novitsky, O.Rogach, L. Rudenko-Sudareva, Y. Savel'yev, S. Jakubowski and others.

The aim of this work is to study characteristics of public-private partnerships in European countries.

Abbreviation "PPP" is established term for "public-private partnership". In this case, the word "public" means "state", that seems to narrow significantly the essence of a concept that has come to us from the West. However, "state" (public) is interpreted more broadly than a simple set of institutions that execute governance functions. It appears summarizing the subject of public authorities, including all levels of government - national, regional and municipal. The term "public" is used to denote a range of social institutions which realise their powers as well as playing time, unofficial, informal but

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important role in the development of social processes. The term "State" includes the cultural, educational, academic and other institutions of the public sector.

In addition, the state plays key role in the PPP as its partnership with business is built with respect to the state and municipal property.

In this regard, the state and the private company will never be equal, as the basic property relations in PPP projects do not change, no matter how great was the role of the private sector as an investor, manager or operator.

According to B. Weiss, a public-private partnership is half privatisation, that is a deal, under which substantially increases the participation of private companies in the financing, design, construction, ownership and operation of public enterprises. According to M. Vilisov definition it is legal mechanism to reconcile the interests and ensure equality between business and government in the framework of economic projects aimed at achieving the objectives of public administration, and according to V.Varnavskiy it is institutional and organizational alliance between government and business to implement national and international, large-scale and local, but always socially significant projects in a wide range of areas: the development of strategic industries and research papers to provide public services. PPP is defined as "as an institution, a set of rules and regulations that govern the joint activities of the state and business."

Resolution of the European Parliament noted that although there is still not an acceptable definition of PPP for all countries in Europe, embracing all possible forms of PPPs, though this phenomenon may be defined as a long-term, adjustable contractual cooperation between public authorities and the private sector to fulfill state obligations (implementation of infrastructure projects or public services), in which the available resources are transferred under joint management and project risks are allocated on the basis of knowledge of partners optimal control.

The world that surrounds us has varied history, culture, level of economic development, household structure, mentality, and therefore the principles and mechanisms of regulation.

Some economists, including M. Shnitser giving determining the role of the state, divides the world into three groups:

- Relatively free market system of the United States of America, where government intervention in the economy is largely regulatory;
- Social and market capitalism in Europe, where the state owns determining role in the distribution of public goods through thoughtful programs in social spending;
- State-controlled capitalism of Japan and other East Asian countries.
- As separate groups, their characteristics, reflected on the approaches to the use of public-private partnerships with countries such as:
- Latin America countries that focus on the experience and recommendations of international organizations;
- The countries of the African continent that is slowly but surely moving forward in terms of increased attention to these international financial institutions;
- CIS countries, with varying levels of activity in reforming their economic systems that have varied effects on their development from both EU and the U.S., and from

the leading East Asian countries, and in its own very peculiar use of foreign experience based on their historical experience, mentality and traditions.

Capitalism is derived from Europe and that European thinkers defined its essence and basic principles i.e. the motivation for profit, private property, private enterprise, the rule of the market.

Communitarianism plays a significant role in the system of social and economic regulation of EU. This is defined much longer history of European nations, by which people used to feel part of a wider community. In practice, this converts into a stronger collectivist principle that causes concern of every society and, consequently, a lot of attention, which the state pays social security issues. Compared with the U.S., European countries rarely change jobs. Employers, in turn, are accountable for their employees, preferring layoffs of professional retraining. This nature of the economic system of the EU is particularly evident in northern Europe, particularly in Sweden, where the standard of living is one of the highest in the world. The country is well known for its social programs, which differ versatility and focus on the well-being of all, without exception, social groups, regardless of income level. The flip side of the coin is the high level of taxation.

Communitarianism base is typical for euro capitalism, denoted as the integration processes within the countries of the European community, the desire to safeguard the general European interest in economics, politics and ecology.

European countries are actively involved in projects based on public - private partnership, which is used in a wide variety of backgrounds. According to O. Pylyyaya 95% of all projects in the EU are in six EU countries (UK, Spain, France, Germany, Italy and Portugal). In Europe between 2007 - 2010 there were signed contracts in the form of PPP totally of 23.6 billion euros, while in 2011 there were underway projects worth 67.6 billion euros.

Public-Private Partnerships is most developed in such European countries as Britain, Italy, France, Spain, Germany, Scotland, Austria. UK leads not only by the volume of funding and number of PPP projects, but also diversification of its application areas. At the same time in other European countries including new EU members active processes are initiating projects in the form of PPP (Bulgaria, Croatia, Czech Republic, Romania, Hungary, Poland).

The most developed public-private partnerships are in the UK with 58% of the total PPP projects in the EU. This country used a serious arsenal of methods and mechanisms for public-private partnerships, extremely developed institutional infrastructure and legal regulation in this area. It is peculiar that the main operator on PPP in the UK is a joint-stock company Partnership UK, which was also built on the principles of public-private partnerships (49% of it belongs to the state, 51% to private business). The company is controlled by its Supervisory Board, which consists of 45 members, including members of the government. In 2010 started the transfer functions of the institution in matters of advising the government on long-term infrastructure needs of the country as well as providing commercial assessment of projects and programs "Infrastructure Development Agency UK» (Infrastructure UK).

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If we consider the situation of PPPs in new EU members countries the leader in this area is Poland (18 billion euros) followed by Hungary (17.4 billion euros) and Czech Republic (16.4 billion euros). These three countries have 71% of investment in PPPs in Central and Eastern Europe. For example, in Poland in 2011 there were announced 41 public-private partnerships totaling 1.7 billion Euros. Among them, 16 were terminated at the stage of negotiations, 21 are in the process of negotiations with stakeholders (including 7 - Concessions, 8 - contracts for maintenance services, 6 - other PPPs), 2 contracts signed.

Public-private partnerships are being actively developed in Turkey. According to the PPIAF 16 new projects started in Turkey in 2011, with total investment 29% of the PPP projects volume of investments in Europe and Central Asia.

It is necessary to highlight that in 2011 in Europe as a whole there was quite a significant drop of interest in PPP. Thus, compared with 2010, the PPPs indicted in investment fell by 40%, the number of new projects decreased by 22%. And unlike many other regions of the most significant drop in investment is observed for new projects (54%), for projects that are implemented, they decreased by 28%.

In Ukraine the model of public-private partnership is a fairly common form of company social responsibility policy and implementation of social investments. In 2011 the company "SCM" for the fourth time in a row won first place in the ranking of "Guard of socially responsible companies", confirming the status of a leader in corporate social responsibility in Ukraine.

The "Guard of socially responsible companies" has been held since 2008 by rating magazine "Guards" publishing house "Galician Contracts." The objective of the project is to increase the importance of corporate social responsibility among Ukrainian business practices to expand its use and encourage a systematic approach to CSR.

In 2011, SCM, Metinvest and DTEK entered the five index transparency and accountability of companies in Ukraine. SCM Group companies are recognized leaders in the sector "Holdings" (SCM), "Heavy Industry" (Metinvest) and "Power" (DTEK). The rating was initiated under the project "National Initiatives to Enhance Reforms (UNITER)", which is an international organization Pact with funding from the U.S. Agency for International Development (USAID) and the support of ESG. Participants were 100 Index of the largest companies in Ukraine, as well as companies listed on international stock exchanges.

We have analyzed the dependence of the financial performance of the Group dynamics of social investment projects of corporate social responsibility and the growth of wages. Results of correlation and regression analysis of financial result dependence of the company activities on the Group social investment are presented in Table 1.

The index of the variable shows how indicator "revenues" changes when changing the unit factor "social investments". A positive index shows a direct link between the variables. Thus, the regression relationship is statistically significant and causal factor directly affects the change in financial results.

Table 1. Results of correlation and regression analysis of financial result dependence of the company activities on the Group social investment

OVERALL RESULTS								
Regression statistics								
Multiplicative R	0,899865							
R-square	0,809756							
Standardized R- square	0,746342							
Standard deviation	1,885242							
Supervision	5							
Variance analysis								
	Df	SS	MS	F	Amount F			
Regression	1	45,38368	45,38368	12,76926	0,037461			
Overall surplus	3	10,66241	3,554136					
Total	4	56,04608						
	Index	Standard deviation	t-statistics	P-Value	Low 95%	Upper 95%	Low 95,0%	Upper 95,0%
Y-crossing	4,108405	2,014789	2,039124	0,13416	-2,30355	10,52036	-2,30355	10,52036
Variable X 1	0,142963	0,040007	3,57341	0,037461	0,015641	0,270284	0,015641	0,270284

Let us analyze the dependence of the company financial results of the average salary in the industrial holdings. The results of calculations are presented in Table 2.

Table 2. Results of correlation and regression analysis financial results dependence of the average salary in the industrial holdings

OVERALL RESULTS								
Regression statistics								
Multiplicative R	0,423803							
R-square	0,179609							
Standardized R- square	-0,09385							
Standard deviation	3,914916							
Supervision	5							
Variance analysis								
	Df	SS	MS	F	Amount F			
Regression	1	10,06639	10,06639	0,656794	0,477016			
Overall surplus	3	45,97969	15,32656					
Total	4	56,04608						
	Index	Standard deviation	t-statistics	P-Value	Low 95%	Upper 95%	Low 95,0%	Upper 95,0%
Y-crossing	5,572738	6,501865	0,857098	0,454402	-15,1191	26,26458	15,1191	26,26458
Variable X 2	0,001942	0,002397	0,810428	0,477016	-0,00569	0,00957	0,00569	0,00957

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Index of determination is 0.1796, that enables to conclude about the insignificance of the obtained dependence.

Thus, the analysis shows that there is no direct connection CSR programs of "SCM" and financial indicators of the Group due to prolonged and indirect impact of given projects on positive company image creating for all groups of stakeholders.

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MODELI JAVNO-PRIVATNOG PARTNERSTVA U EVROPSKIM ZEMLJAMA

Rezime: Rad sadrži pregled postojeće prakse u oblasti javno-privatnih partnerstava u odabranim državama Evrope i izvan nje. U radu se takođe empirijski analizira zavisnost finansijskih performansi, projekata iz oblasti društvene odgovornosti kompanije i rasta zarada. Analiza otkriva da ne postoji direktna veza između programa društvene odgovornosti korporacije SCM i finansijskih indikatora Grupe, i to zbog odloženog i indirektnog uticaja pomenutih projekata na pozitivan imidž kompanije iz ugla svih interesnih grupa.

Ključne reči: javno-privatna partnerstva, društvena odgovornost korporacija, Evropa.