Theoretical aspects of financial credit instruments of public-private partnership

Stefanliv O.M.
Candidate of Economic Sciences, Associate Professor,
Senior Lecturer at Department of International Economics, Accounting and Finance
Ivano-Frankivsk Institute of Management
Ternopil National Economic University

Danylyshyn V.I.
Candidate of Economic Sciences, Associate Professor,
Senior Lecturer at Department of International Economics, Accounting and Finance
Ivano-Frankivsk Institute of Management
Ternopil National Economic University

Public-private partnership (PPP) is relatively new for Ukraine system of views on the relations between the state and business. From the point of view of applied, practical approach of PPP is a mechanism for the implementation of government projects, programs and goals through the contractual agreements with the private sector. Unlike many countries, in which government, private sector and society at the turn of XX-XXI centuries adopted the ideology of PPP, the basis for the development of suspension projects that contributed to the decision of some problems of an economic and social nature, in Ukraine, a partnership of public authorities and business structures are emerging. The necessity of finding effective mechanisms for overcoming the effects of the global financial and economic crisis is based, in particular, on strengthening of domestic investment of the economy and new models of funding, justifies urgency of study of the financial aspects of PPP implementing.

Among the support mechanisms of the state support of business entities in Ukraine are the state budget expenditures, tax incentives, government guarantees of collateralized debt obligations on borrowings of subjects of managing. But the spectrum of state support in the sphere of PPP, developed international practice, is much broader:

– direct budget support (partial funding of project repayment of interest on loans, all fixed assets, land, etc.);

– tax holidays (a waiver/reduction of taxes and fees during the project implementation);

– granting state and local guarantees;

– involvement of government/local governments loans from foreign states, banks and international financial institutions (IFIs);

– guaranteeing of compensation of the private partner’s losses due to the mismatch of demand planned indicators, failure of the public partner obligations under the agreement, inadequate tariff regulation;

– guaranteeing of the state order for certain goods/services;

– state guaranteeing of project risks in case of changes that are greater than expected inflation, exchange rate, loan interest rates, energy prices;

– guaranteeing of exclusive rights to produce goods/services, permission to carry out cross-subsidies and so on.

Therefore, in Ukraine there is a number of modern forms of PPP state support; it is advisable to implement in domestic management practice the aim of attraction of private entities to cooperate with government. At the same time, there is a need to conduct inventory of previously given support by state. The urgency of solving these problems is increasing due to the reduced ability of the government to provide direct budgetary support over the growing from year to year deficits of the budget of Ukraine.