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PUBLIC-PRIVATE PARTNERSHIP

The article considers public-private partnership as a new technology economic development in modern management practice. Actuality of the theme caused by the the increased interest to it in government. The author proposes mobilize efforts of all stakeholders.

В статье рассмотрено государственно-частное партнерство как новая технология развития экономики в современной управленческой практике. Актуальность темы вызвана повышенным интересом к ней в органах государственной власти. Предложена мобилизация усилий всех участников процесса.

Public-private partnership (PPP) – a new and fashionable expression in modern management practices. Relevance of the topic due to increased interest in government. The topic was considered in detail in the framework of the Competitiveness Council, particularly in relation to transport infrastructure. Subsequently, for its development has been implemented some organizational measures, for example, set up expert advice in some bodies of executive power. Related PPP development is given a lot of attention at the state level, on PPP high expectations. State and business today are interested in the development and modernization of the entire infrastructure, both at the federal and regional level. Thus, the mobilization of all stakeholders will make a new qualitative leap in this direction. According to experts, the PPP is positioned as a “new technology development of the economy” [1].

More than five years in the Republic of Belarus public-private partnership is actively discussed in public authorities, the public and international organizations, the business unions, and in the private sector. It isn't casual, after all in the presence of a wide range of interested persons, strong support of the state, the suitable standard and legal environment and progressively adjusted business community PPP is urged to become the new element of economy capable not only to provide effective distribution of the budgetary resources, but also to bring benefit to the country, business and that the most important, to citizens of our country.

The project of National strategy of a sustainable development till 2030 defines PPP as the integral attribute of our economy in the medium-term and long term. At full political consent at all levels of state management in Belarus the best world experience for intensive and universal use of PPP mechanisms takes root. In most cases abroad they are applied at modernization and buildings of infrastructure objects and assume financing by the private partner of global and expensive projects. Essential influence on attraction of national and foreign investments into the necessary sphere renders the current legislation which is friendly adjusted to PPP practice. Existence of the separate specialized law in this area helps to spread correctly risks and to protect private investments. Such approach testifies not only to correctness of the state economic policy, but also is advantage at establishment of the relations with business at implementation of infrastructure projects.

As shows foreign experiment, PPP – the most optimum decision for implementation of projects on construction of highways, kindergartens and schools, reconstruction of hospitals and infrastructure in the field of housing and communal services. It is the unique tool which allows receiving benefit to the state, business and the ordinary citizen because creates new productions, workplaces and services for Belarusians.

Now active work on preparation of the relevant legislation and institutional strengthening of PPP is carried out. Its legal basis is made by the following normative documents:

- the civil code of Republic of Belarus (rent, leasing, construction in a row, deliveries for the state needs, trust management, etc.);
- the law of Republic of Belarus “About investments” of 12.07.2013 No. 53Z;
- the law of Republic of Belarus of 12.12.1990 “About rent” which governs the relations arising at the conclusion and execution of lease contracts of natural resources and property;
- the law of Republic of Belarus “About concessions” of 12.07.2013 No. 63Z;
- the bill “About public-private partnership” (the last edition – 20.10.2014).

Important link for development and advance of policy in this area is the Interdepartmental Infrastructure Coordination Council (IICC) which field of activity includes formation of the National infrastructure plan and selection of the PPP pilot projects. Council is created according to the resolution of Council of ministers of Republic of Belarus of 27.05.14 No. 508 and is constantly operating collegial body resolving issues of long-term development of infrastructure objects including on the principles of public-private partnership. The structure of members the MIX included representatives of the key ministries, committees, financial institutions, executive committees, public organizations, business structures.

The main objectives the IICC are:

- Definition of approaches and methodology of development of the National Infrastructure Plan (NIP).
- The approval of this document and annual reports on its performance.
- Assistance in development and realization of a state policy concerning attraction of the private capital for creation and modernization of infrastructure objects on the principles of public-private partnership.
- Organization of interdepartmental interaction, including attraction of investments for implementation of the PPP projects [2].

There are a number of purported *advantages of public-private partnerships*:

Value for money. Most practitioners agree that value for money should be the driving factor in any decision to use a PPP. However experience shows that this is rarely the case. There is no standard definition of value for money, and the methods for assessing it are subjective and open to manipulation.

Efficiency through competition. In practice, due to their complexity only a few companies can afford to bid for PPP's and there has therefore often been a lack of competition, resulting in increased costs that may have wiped out the 'value for money' justifications for using PPP's in the first place.

Efficiency through meeting deadlines. In practice, due to their complexity only a few companies can afford to bid for PPP's and there has therefore often been a lack of competition, resulting in increased costs that may have wiped out the 'value for money' justifications for using PPP's in the first place.

Efficiency through risk transfer. In theory, risks in PPP's are transferred to the party most able to limit and control them. In practice, however, whenever the private sector takes on risk, it expects a considerable profit for doing so [3].

Examples of public-private partnerships In Action:

1. *Parks: private maintenance and operations agreements for federal, state, and local parks.* The US Forest Service in Arizona turned over operations of the Crescent Moon/Red Rock Crossing Recreation Area in Sedona, Arizona to Recreation Resource Management (RRM) in 1994. RRM operates the park under a public-private partnership with the U.S. Forest Service. This long-running P3 partnership stands out because RRM prepared and published a case study on the project in 2011. RRM's case study compared the privately-run Crescent Moon Park to the nearby Red Rock State Park. Red Rock State Park is operated by Arizona State Parks, a public agency. RRM found that while the two parks in the study are geographically close and share similar entry-fees, attendance and overall revenue numbers, Crescent Moon (operated under the P3 agreement with RRM) returns close to \$45,000 to the U.S. Forest Service each year in the form of net revenue, while RRM claims the publicly operated Red Rock State Park operated by Arizona State Parks costs the U.S. Forest Service \$234,000 per year.

2. *Education: leveraging private real estate for public schools.* A collection of interesting P3 examples exist around repurposing existing private real estate for use as classrooms for public schools or building new mixed-use construction that houses both private businesses as well as public school classrooms. A few examples around the nation can be found on The Heritage Foundation's report "New tax law boosts school construction with Public-Private Partnerships" including:

- 700 students in Mesa, AZ report to class each morning in a former Smith's grocery store.
- 1,200 students in Raleigh, NC are repurposing a manufacturing facility as classroom space.
- Two schools in Phoenix, AZ share a 300,000 sq ft. venue that once served as the Maryville Mall.

3. *Transportation: operations of public roads and highways.* In 2006, private companies Cintra Concesiones de Infraestructuras de Transporte and Macquarie Infrastructure Partners were awarded a project to operate a 157 mile stretch of Indiana's public roadways. The partnership of private companies paid the state a one-time fee of \$3.8 billion for a 75-year agreement to operate the roadway in exchange for the revenue from the tolls. The project is estimated to save the state of Indiana about \$100 million per year in operating costs, but has yet to turn a profit for the private company investors who took on the deal. The deal is held as an example to investors to exercise caution in bids for P3 contracts. In the case of the Indiana Toll Road, traffic on the toll road has been lower than projected – causing the revenue shortfall for the private

investors. Learn more about the Indiana Toll Road project in a Bloomberg Business week review of the project or view the 2006 press release on the closure of the deal here.

4. *Gaming: state lottery operations.* Illinois transitioned its state lottery system to a P3 program in 2011. The change was revolutionary and has since caused other states to consider similar initiatives around their lottery programs. Projections at the time of the contract grant were that the initiative would increase state proceeds by \$1.1 billion – an increase of nearly 30%. The 10-year contract went to North star Lottery Group, a partnership of 3 private companies. For the 2011 fiscal year following the P3 initiative, the Illinois Lottery reported record sales and record proceeds to the state. Based on the successful PPP lottery operations partnership in Illinois, six other states considered P3 management of their state lottery programs. Read more about the public-private partnership of the Illinois Lottery initiative on reason.org.

5. *Information technology: high speed internet access for America's cities.* Over the last few years, there has been rapid growth in high speed internet and wireless infrastructure in US cities spurred by an increase in public-private partnerships with IT providers. In 2012, the City of Seattle announced a deal with Gigabit Squared to provide ultra high-speed fiber connections to residential and commercial customers, an infrastructure upgrade that will “help bring 21st century infrastructure to Seattle” according to the city’s mayor [4].

Table shows examples of successful public-private partnerships in different countries.

Examples of Successful public-private partnerships [5]

Chapter	Chapter-title	Country	Thematic Area	Development Goals
1	Hospital Co-location, Bloemfontein	South Africa	Public-private partnerships	Combat HIV/AIDS, Malaria and other Diseases
2	Malaria Control	Mali	Public-private partnerships	Combat HIV/AIDS, Malaria and other Diseases
3	Nationwide Water and Power	Gabon	Public-private partnerships	Environmental Sustainability
4	Rural Electrification	Guatemala	Public-private partnerships	Environmental Sustainability
5	Solar Power	Morocco	Public-private partnerships	Environmental Sustainability

Concluded

Chapter	Chapter-title	Country	Thematic Area	Development Goals
6	Public Market, Mandaluyong City	Philippines	Public-private partnerships	Environmental Sustainability
7	James F. Oyster Bilingual Elementary School, Washington, D.C.	United States	Capacity-building	Universal Education
8	Union Station, Washington, D.C.	United States	Capacity-building	Environmental Sustainability
9	Martin Garcia Channel	Argentina, Uruguay	Capacity-building	Environmental Sustainability
10	Bus Rapid Transit Project, Bogotá	Colombia	Capacity-building	Environmental Sustainability
11	Port Expansion, Colombo	Sri Lanka	Capacity-building	Environmental Sustainability
12	Mixed-use Tunnel, Kuala Lumpur	Malaysia	Capacity-building	Environmental Sustainability
13	North Luzon Expressway, Luzon	Philippines	Capacity-building	Environmental Sustainability
14	N4 Toll Road	South Africa, Mozambique	Capacity-building	Environmental Sustainability
15	East Coast Road, Tamil Nadu	India	Capacity-building	Environmental Sustainability
16	New York Avenue Metro Station, Washington, D.C.	United States	Capacity-building	Environmental Sustainability
17	Urban Water Expansion, Cantagena	Colombia	Capacity-building	Environmental Sustainability

18	Urban Water Expansion, Cochabamba	Bolivia	Capacity-building	Environmental Sustainability
19	Urban Water Expansion	Senegal	Capacity-building	Environmental
20	2004 Tsunami Relief	East Asia	Capacity-building	Environmental Sustainability
21	Water/Wastewater Improvements, Manila	Philippines	Capacity-building	Environmental Sustainability
22	Urban Water, Jakarta	Indonesia	Capacity-building	Environmental Sustainability
23	Chesapeake Forest, Maryland	United States	Capacity-building	Environmental Sustainability

Interaction of the state and the private sector to address socially important problems has a long history, including the Republic of Belarus. However, the most relevant public-private partnership has become in recent decades. On the one hand, the complexity of the socio-economic life of the state makes it difficult to perform socially important functions. On the other hand, business is interested in new sites for investment. Public-private partnership is an alternative to the privatization of the vital strategic importance of state property.

At present, discussions are held on key aspects of the interaction between business and government, their main goal – the involvement of all stakeholders in the discussion of problems and prospects of public-private partnership in Belarus. Participants will have a unique opportunity to learn from the experience and advice of leading experts in this field from the UK, China, the Netherlands, Russia, Croatia, Switzerland and other countries.

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