

FINANCIAL CONTROLLING AS AN INSTRUMENT OF SOCIAL INTERESTS' ACHIEVEMENT IN PUBLIC-PRIVATE PARTNERSHIP (PPP)

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ABSTRACT

Public-private partnership in modern economic realities became a powerful instrument of combining interests and resources of private partner and state. However, in Ukraine, PPP is still on its' emerging development stage and practice of existed PPP projects shows their low efficiency. Therefore, there is a real necessity to increase the role of PPP projects in Ukrainian infrastructure development. And with the help of financial controlling it is possible to get the maximum effect from cooperation of private partner and state.

Keywords: Controlling, Public-Private Partnership, State, Private Partner.

JEL Classification: L53; M41; M48

INTRODUCTION

Modern paradigm of economic development determines the sharpening of scientific discussion concerning place and role of state in economic relations. Obviously, nowadays state has lost its dominant position as leading economic agent. This also applies to functions of state as economy's regulator. Because of this, from the middle of XXth century fundamentally new forms of interaction between state and business emerged. Among them, PPP deserves special attention, which allows consolidate efforts of state and private partners for solving strategically important and socially significant tasks.

Methodology and Data

The research methodology is determined by analysis of public-private partnership in the context of synchronization possibilities of interests at the level "state-private partner-society". This approach determines necessity to study the use of fundamentally new approaches to realization of PPP projects, in particular through the introduction of financial controlling instruments. The issues concerning the implementation of PPP projects and their influence on the interests of society were researched in the works (Oktavianus, 2018; Wojewnik-Filipkowska, 2019; Siemiatycki, 2012; Singh & Khan, 2015; Babiak, 2014; 2015).

RESULTS AND DISCUSSION

Experience of developed countries shows that PPP creates strong incentives for infrastructure development. However, positive effect is possible only if PPP project aims to synchronize interests of state and private partner, but still social interests will be dominant. However, there is fundamentally different situation in Ukraine. Most PPP agreements don't receive real practical implementation, primarily due to numerous obstacles in public policy,

various investment "failures", etc. However, destructive influence of factors presented at corporate strategies level of private partners should not be eliminated too. In general, current situation in PPP sphere determines the necessity to search effective instruments that will allow reaching the required compromise at the level "state-private partner".

Financial controlling can become such instrument of achievement public interests in Ukrainian PPP. To confirm it, corporate analysis of scientific positions of various authors on PPP essence was made. Key features of PPP are determined, which made it possible to extrapolate this approach from the standpoint of benefits and opportunities associated with financial controlling use. It's proved that aims and instruments of financial controlling give opportunity to act as catalyst of PPP positive characteristics. Simultaneously, financial controlling allows eliminating negative impact of numerous threats of PPP projects' implementation. Moreover, financial controlling effect exists at each stage of PPP. Complex nature of PPP projects determines the necessity for clear planning of decisions made by private partner and state, effective risks' assessment, monitoring of project implementation, and also detection and analysis of deviations during project execution.

Gained results of theoretical analysis were used to assess preconditions of financial controlling use in practical implementation of PPP projects in seaports' development in Ukraine. The study showed that current approach to PPP in Ukraine is characterized by numerous missing and defective components. Accordingly, both state and private partners should be interested in using financial controlling instruments in PPP projects. It is justified: firstly, necessity of risk controlling using, due to appropriate risks' distribution between public and private partners. Correct and effective risks' distribution, when every partner takes risks that he can effectively manage; will lead to maximum positive effect. Secondly, relevant factor is formation of appropriate scheme of interaction between PPP project parties during investment and post-investment period, to ensure rational use of resources during implementation of PPP projects. Thirdly, use of financial modeling in PPP projects' implementation makes it possible to predict financial performance indicators for both partners. Use of appropriate financial indicators will allow controlling implementation of PPP projects.

CONCLUSION

Infrastructure development is one of the key tasks of the state, taking into account the social interests at whole. So public-private partnership aim is to combine efforts and resources of public and private partner and to get maximum from such type of cooperation. But poor management of PPP projects in our country demand clear control over their implementation. And it is financial controlling which should help to achieve all the necessary aims of PPP projects. Use of financial controlling instruments will provide effective risks' distribution, rational cooperation between partners, and overall control over the project with the help of appropriate financial performance indicators.

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