

PARTNERSHIP APPROACH TO THE STRATEGIC PLANNING OF THE SOCIO-ECONOMIC DEVELOPMENT

The system of strategic planning in Ukraine has not yet been finalized, it is only at the stage of its formation, as there are still many issues that require their legislative regulation. The relationship between individual documents is not clearly regulated. Some regulatory documents are missing. There is no single definition of the categories “strategy” and “strategic planning”, there are no requirements for strategic plans at the national level. Priority principles are not followed. We can agree with the opinion of Smetnina N. V. that in the current system of strategic planning of Ukraine “... for the most part, the emphasis is only on the regional component, and on the need to introduce strategic planning in the field of regional governance as a tool for regional development. Instead, given the challenges of today, we should talk about territorial development in general” [11, p. 54].

The objects of strategic planning for the development of the economic system of the state are socio-economic processes occurring within the territories of the state, which means the administrative-territorial units of the country.

The main actors who in one way or another participate in the process of strategic planning can be divided into three groups depending on the degree and nature of their involvement in this process [11]:

- 1) a group of key participants (state and public components);
- 2) a group of priority stakeholders;
- 3) a group of secondary stakeholders.

Thus, a group of key participants in the process of strategic planning in Ukraine is formed by institutions that are directly involved in the development of planning documents, determining priorities of the state and their components, as well as participate in the implementation of plans for economic development. This group is divided into two components: the state component, which in accordance with current legislation is responsible for the development and implementation of strategic documents (represented by public authorities and management at various levels); and the public component, which includes representatives of business (private enterprises and entrepreneurs), public and self-governing organizations.

The so-called priority stakeholders, i.e. those who are covered by strategic development plans, form the second group of participants. Representatives of this group can participate in the planning process; usually they are involved in the development and implementation of strategic documents at various stages of this process. This group includes groups and

individual representatives of territorial communities of the relevant administrative-territorial unit, enterprises, civil society organizations that deal with cultural, local and certain specific issues, community leaders and citizens with an active public position, and so on.

The third group of participants includes secondary stakeholders who have an indirect interest in strategic plans, but who may be affected by their implementation or who may themselves influence their implementation. Usually this group includes the majority of residents of the administrative-territorial unit, as well as some institutions. The process of attracting this category of participants is designed to allow it to participate depending on the interests and free time of its representatives. Individual members of this group may be opponents, not allies in the implementation of strategic documents.

According to the theories of strategic planning [11; 13], the development and implementation of strategic plans for the development of the economic system of the state can be carried out by the following methods:

1) by representatives of the authorities, whose competence includes issues of strategic planning of the development of the relevant territory – in this case, the relevant state institution instructs the development of strategies to its units;

2) involving of external experts – in this case, the development of a strategic planning document involves domestic institutions, research organizations, higher education institutions, etc., which have the appropriate potential, usually selected on a competitive basis;

3) involving international experts – international specialists (individuals or organizations) are involved in the development of the strategic planning document;

4) mixed (partnership) approach – all stakeholders are involved in the development of the strategic planning document.

Accordingly, it is possible to form three evolutionary approaches to strategic planning for the development of the economic system of the state, which differ in the degree of involvement of stakeholders in the process of strategic planning:

1) an administrative and managerial approach;

2) an expert and scientific approach;

3) a partnership approach.

According to the administrative and managerial approach, the development of strategic planning documents for the development of the respective territories is carried out exclusively by representatives of the authorities without the involvement of the public component. At the same time, all other stakeholders play only a passive role. They are informed about

the results of strategic planning for the development of the respective territories.

The advantages of this approach are the relatively short time spent on developing plans, as it "... does not require constant explanations of some specific elements to ignorant but proactive and populist residents" [13].

However, the objectivity of awareness of the real problems of the population is significantly reduced; the causes of destabilizing factors may be unclear. The developed plans may not be perceived by the population, and in the future, when the composition of the authorities changes, they will be rejected altogether.

Thus, strategic planning documents developed under this approach are considered to be of the lowest quality, as they take into account the position of only one of the stakeholders, namely the authorities.

Strategic planning documents developed with the involvement of certain experts can be considered of better quality, in which the degree of public involvement in the planning process increases. This approach is called expert and scientific. According to it, a significant role in the development of strategic plans is transferred to external experts, and government officials provide advice, if necessary. Both domestic and foreign specialists can be involved as experts; they can be employees of research institutions, consulting companies, higher education institutions, etc.

This approach allows to consider existing problems from a different angle, to improve the skills of plan developers.

The main criticism of this approach is that as a result we get stereotypical strategies, without taking into account local specifics, and in addition, as in the case of the administrative approach, it almost does not take into account the views and wishes of citizens.

The partnership approach to strategic planning of the economic system of the state gives the best results. It is based on the involvement of all stakeholders in the strategic planning process. This creates a community committee consisting of representatives of various sectors of the community (so-called "strategic planning committee", "local leaders' council", "development commission", etc. [13]), which fully develops the document with the advisory support of experts.

Thus, to develop a quality strategic planning document for the development of the economic system of the state it is necessary to take into account the following basic principles:

- the principle of partnership – involve all actors in the territory (business, government and the public) in the strategic development process;
- the principle of realism – the implementation of tasks should be based on available resources, capabilities and powers of the community;

– the principle of transparency – open discussion of the results of work, as well as ensuring the most effective cooperation with the media, both in the process of preparation and in the process of implementing strategic plans.

From the standpoint of foreign practice of strategic planning of socio-economic development of the state the most optimal is the development of strategies on the basis of publicity, dialogue and coordination of interests of all participants of the national economy interested in the results of strategic planning, such as: government, business and the public [11].

The importance of joining the planning process for business is justified by the provision that the presence of clearly defined goals and directions of development of certain areas will allow entrepreneurs to see prospects for economic development and state support of industries, and, according to new approaches and goals declared in planning documents. The population, within the public component of the stakeholders, on the basis of strategic documents gets an idea of changes in living conditions in the future and can influence this process. The team of authors led by Ilyin V. A. [12] indicates that the social orientation of the strategy will contribute to the formation of a constructive worldview of citizens, their consolidation and to the political stability [12, p. 156].

Involvement of stakeholders in the development of the strategy involves creative and voluntary cooperation of government, business, community, self-organization of citizens, scientific, religious and cultural organizations, as well as their associations and other potential actors in the development of the state.

The basis of this approach to the development of future vision of territories is the awareness of the importance and practical implementation of the idea of business partnership of all sectors of the national economy in the process of developing strategies and consolidated responsibility for their implementation [11]. It is the considered approach to strategic planning of development of economic system of the state. It gives understanding that when the territorial community feels that it takes real part in construction and development of native village, city, area, or country, that its opinion is necessary to the authorities and important, the effect works: “people getting used to the future that they are planning” [5, p. 92].

According to such scientists as Vigoda A., Bovron B., Mamonova V. and others [8], the main advantages of the partnership approach to strategic planning of the economic system of the state include the following:

– synergetic combination of intellectual potential and efforts of a group of experts with the potential of the local community;

- pooling the financial and logistical resources of partners and stakeholders – potential participants in the development of the territory;
- introduction of innovative technologies in the planning process;
- increasing the transparency of government, developing public relations (business, scientific, etc.) and the formation of civil society [8, p. 18].

According to the mentioned scholars [8], the main condition of a partnership approach to the development of strategic documents is compliance with maximum transparency and publicity of the strategic planning process from the initial stages of developing a strategy to its completion highlighting the main results in the media [8].

The use of partnership principles has a positive effect not only at the stage of development of strategic planning documents for the development of the economic system of the state, but also in their implementation. To define the various relationships that arise between public authorities and the private sector in the implementation of joint projects, such concepts as “privatization”, “private sector participation” and “public-private partnership” are used. Although these terms are often used interchangeably, there are some differences.

Thus, privatization involves the sale of shares or property in a company or the sale of existing assets or services owned by the public sector. Privatization is more widely accepted in industries that traditionally do not provide public services, such as manufacturing, construction, and so on. When privatization takes place in the infrastructure or utilities sector, it is usually accompanied by industry-specific regulatory mechanisms that address social and political issues related to the sale and continued operation of assets used to provide public services [4].

Private sector participation agreements transfer certain obligations to the private party, but do not emphasize the possibility of partnership, unlike public-private partnership agreements. Private sector participation is seen as a prerequisite for the formation of public-private partnership in its current form [4].

The Public Private Partnership (PPP) provides a framework that, by engaging the private sector, recognizes and structures the role of government in ensuring the implementation of social commitments and successful sectoral reforms and public investment.

The generalized structural model of the PPP mechanism in strategic planning of development of economic system of the state (fig. 1) should consist of the following system-forming elements:

- the subject of management;
- the object of management;

- the method of influence of the subject of management on the object of management;
- certain conditions of the PPP in the implementation of specific projects;
- benefits received by the PPP parties in the project implementation [10].

Public and private partners, respectively, as well as other stakeholders act as subjects of PPP management.

Public partners in the PPP are government agencies, including ministries, departments, municipalities or state-owned enterprises. Private partners can be local or foreign and may include companies or investors who have technical or financial expertise related to the project. Increasingly, PPPs include non-governmental organizations and/or NGOs representing stakeholders who directly influence the project [4].

Stakeholders who in some way influence the partnership can be divided into the following groups depending on their role:

1) politicians who decide on the definition of priority goals and objectives of the PPP, approve the criteria for selecting the project and the project itself, as well as create a regulatory framework for the development and implementation of projects;

2) the company's management, which determines the specific needs and goals of the enterprise for the implementation of the PPP, shares its experience and provides information on the activities of the enterprise, as well as makes the necessary changes;

3) consumers who report the ability and willingness to pay for the service, set priorities for quality and level of service, and identify existing strengths and weaknesses of service;

4) investors who provide feedback on the attractiveness of different PPP options, follow the rules and procedures of competitive bidding, as well as perform a thorough review of projects, which leads to competitive and realistic bidding;

5) strategic consultants, who provide an impartial assessment of PPP options, review existing mechanisms and propose reforms, and act as facilitators of cooperation between stakeholders [4].

Contracts for the conclusion of PPP can cover both the construction and reconstruction of existing facilities and the creation of new ones. Among the most common sectors of the economy in which PPP projects are implemented, the following can be noted: production and distribution of electricity; water supply and sewerage; garbage disposal; pipelines; hospitals; school and educational institutions buildings; stadiums; air traffic control; prisons; railways; roads; information technology systems; and dwelling.

Analysis of common guidelines for the implementation of projects based on PPP [2 – 4] allowed to generalize the basic principles of implementation of effective PPP, which can be divided into four groups:

1. Principles that set requirements for building a strong political and organizational structure by the government and open conditions for private sector participation:

- creating a clear and predictable regulatory framework;
- development of competent authorities that do not require significant costs, with clearly established accountability links, to implement the regulatory framework;
- public policies and regulations must be harmonized and aligned;
- ensuring a competitive business environment where the benefits for private sector participation in the PPP project are clear and accessible.

2. Principles that set requirements for the process of selection, development and implementation of the PPP project:

- development of a system of information support for projects, which provides priority and political support;
- active stakeholder consultation is crucial in addressing issues of public concern to improve understanding and support;
- rationale for the choice of procurement methodology in terms of cost, taking into account the effective allocation of risks and the potential of contractors;
- appropriate risk allocation of the project is critical in ensuring value for money in the PPP;
- the price-quality ratio of the project should be ensured in the procurement process and in the operational phase through relevant procedures and tools, as well as qualified and resource-rich contractors;
- mechanisms for renegotiating and resolving disputes should be put in place.

3. Principles responsible for ensuring the accessibility and transparency of the PPP:

- the government must ensure that projects are available and that the investment portfolio is sustainable;
- the project should be considered transparently in the budget documentation;
- the potential for reimbursement should be judiciously assessed, regardless of the degree of private participation.

4. Principles responsible for establishing a relationship between all stakeholders of the project, as well as with other projects in the industry:

- mechanisms for cross-jurisdictional cooperation, including at the regional level, need to be established.

The method of influence of the subject of management on the object of management provides the form or model in which the PPP project is realized. Depending on what work should be carried out in accordance with the draft PPP, as well as how the responsibility is distributed between the parties to the partnership, the following common forms (models) of PPP can be identified:

1. Projects directed on the creation of a new object: Build – Transfer or Design – Build; Build – Lease – Transfer; Build – Transfer-Operate or Design – Build – Operate; Build – Operate – Transfer or Design – Build – Operate – Maintain; Build – Own – Operate – Transfer; Build – Own – Operate; Design – Build – Finance – Operate/Maintain.

2. Projects associated with an improvement of the existing object: rent; concession; and divestiture.

3. Hybrid models: alliance; package deal; competitive partnership; gradual partnership; integrator; and joint venture.

Traditional PPP models typically represent some variation in the design, construction, financing, operation, and transfer of a facility. They provide strong incentives to implement projects in time and within budget, while allowing the public sector to allocate investment costs over a 20-30 year period. This allows to focus on value for money over the life of the asset and is suitable for many large projects in terms of relative certainty. However, traditional PPP models also have some limitations. The process of their implementation is sometimes long and expensive, which makes it unsuitable for small and short-term projects. The long duration of contracts and the relative uncertainty of costs complicate the negotiation process.

The public sector must also be certain about infrastructure and service requirements before deciding on a partnership. Otherwise, achieving a fair contract price and ensuring that the infrastructure continues to meet future needs can be difficult.

Errors can be present as a result of hidden defects (deficiencies in existing infrastructure that are not obvious until work begins), policy changes (involving changes in operational requirements), demand risks (as a result of user choice), changes in societal needs or rapid changes in technology. For projects that are particularly vulnerable to such errors, models with increased flexibility and shorter contract deadlines may increase the likelihood of achieving public infrastructure policy objectives. In recent years, many new and innovative PPP models have been developed.

The conditions for the implementation of PPP projects are usually determined by the specifics of a particular project, as well as the peculiarities of the formation of problems and tasks that should be addressed within the PPP. This process should be interactive and, if possible, open, based on the

development of agreed decisions of public and private partners. A mechanism for pre-selection of proposals from private partners and assistance to contestants who have passed this selection should be introduced. In the formation of partnership schemes, the public partner must ensure pro-competitive and diffuse effects.

The benefits received by the PPP parties in the project implementation are the most complex and problematic element of the structural model of the PPP mechanism. The main advantages of using partnership mechanisms for public partners are as follows:

- the ability to attract private investment, sharing risks and obligations between partners;
- the opportunity to attract the competencies of private business to solve state and municipal problems, the provision of state and municipal services;
- the ability to choose a private partner, plan and monitor the results of its activities;
- the ability to transfer the rights to provide public services to a private partner, while the private partner creates and uses the property, which at the end of the PPP project will pass to the public partner;
- the opportunity to receive additional tax revenues to the budget;
- the ability to increase the volume of gross product, etc. [9].

The main advantages of participating in the PPP for a private partner are:

- the possibility of private business to obtain long-term projects with a stable market and state guarantees to ensure a minimum level of profitability;
- the possibility of minimizing the risks of state pressure on the business of a private investor, as the rules of the game between the partners are stipulated before the start of the project;
- the possibility of increasing the profitability of projects by increasing productivity and implementing innovative solutions during the term of the PPP agreement, etc. [9].

Despite the wide range of advantages from the implementation of the PPP, it should be noted that there are certain disadvantages and possible difficulties of such a partnership:

- uneven distribution of benefits among different segments of the population;
- lack of transparency and accountability of government structures, corruption in the selection of the private partner;
- the need to ensure a certain level of competence of employees who will participate in the development and management of PPP;

– the complexity of PPP projects in the development, implementation and management [7].

However, in addition to determining the benefits for each participant in the partnership project, it is equally important to share the risks, which means determining the party to the PPP agreement that is responsible for the consequences (or benefits) of each risk under the PPP project.

Risks are inherent in all PPP projects, as well as in any other project. They arise due to uncertain future results that may have a direct impact on the provision of project services and its commercial viability. The distribution of risks between the parties to the partnership is based on the following principle – the responsibility for managing a particular risk is tied to the party that is best prepared for it. Study of common risks specific to PPP projects [1; 4], allowed to generalize typical risks of PPP:

– risks of construction and completion (construction delays or excess costs);

– technological risk (new and untested technology, the performance of which cannot be predicted on the basis of existing links);

– sponsorship risk (ability of a private sponsor to implement a project);

– environmental risk (environmental restrictions in construction and operation);

– commercial risk (lower demand and/or income than projected);

– operational risk (inefficiency of work, which leads to increased operating costs);

– financial risks (changes in interest rates and exchange rates, tax legislation);

– legal risk (change of legal regime);

– regulatory risk (change of regulatory regimes);

– political risk (change of government policy or actions affecting the business environment of the project);

– force majeure situations (risks due to unforeseen natural and man-made events, such as earthquakes, floods, civil war, etc.) [1; 4].

To minimize risks, common tools are used, such as: measures that may prevent or minimize the possibility of risk; assignment of liability for consequences and penalties for the parties specified in the contract; insurance; financial tools, etc. [1].

According to Kochetkova S. A. and Moiseeva I. V. [6], effective risk allocation involves the transfer of risk to the project participant who is better than others able to:

– manage the probability of risk realization;

– manage the degree of impact of risk on project effectiveness;

- create incentives for effective risk management by relevant parties, which allows to increase revenues and reduce project costs;
- reduce the total amount of funds reserved to cover risks;
- to cover the consequences of risk realization [6 , p. 137 – 138].

In addition to the benefits of using PPP mechanisms directly for public and private partners, it should be noted the importance of partnership principles for the development of the economic system of the state in general. Potential sources of effectiveness of projects based on public-private partnership can be: efficiency in the allocation of resources, production efficiency, as well as economic and social efficiency.

Resource allocation efficiency is achieved through the ability of the private sector to allocate resources more efficiently (the motivation of the private sector is to complete the project according to a set of efficiency standards; conversely, the public sector will have competing interests in operational resources, which may reduce project life cycle).

Resources for a specific program can also be used more efficiently (production efficiency). The opportunity to be more productive develops during the long-term practice of a private sector organization implementing similar projects (construction and operation of infrastructure can be completed in less time and/or at a lower total cost, using market-proven methods and incentives to innovate).

Economic and social efficiency is access to more capital, which allows to finance more projects from the budget with fixed capital; social benefits from infrastructure accumulate faster as infrastructure is built faster. More efficient movement of goods and people, as well as improved quality of life due to increased access to infrastructure.

Thus, the legal framework for PPP in Ukraine addresses the most important issue. However, the variety of laws and regulations that apply to this regulation, determine the use of different logic in building partnerships. The choice of procedure is mainly determined by the relevant legislation, which is chosen by the members of the partnership. The procedures for implementing a partnership are quite complex, so the law on public-private partnership remains more of a guide to actions from which the parties to the contract are trying to escape, applying concurrent legislation.

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