

***Gordeeva T.A.***

*Khmelnytsky national university,*

*senior lecturer of the finance and banking department*

**PUBLIC-PRIVATE PARTNERSHIP AS A DIRECTION FOR  
TRANSFORMATIONS OF UKRAINE'S STATE FINANCES.**

One of the prerequisites of finance is the appearance of the State, as an institution that manages the socio-economic life of people living in a particular area. The main task of financial science is to develop and justify effective mechanisms for management of financial resources and assets that would allow to maximize the positive effect of using total economic potential. Certainly, the most important element in the financial system is the state budget, since it determines the dynamics of economic development. This effect had been enhanced, as evidenced by the trend of growing share of government spending in the economy. This trend is observed since the second half of the twentieth century. For example, the share of USA's government spending in 1950 was 24.9% of GDP, and according to the forecasts for 2015 it will be 36.5%. A similar situation exists in other developed countries, where the share of government spending also had increased during the same period [1].

Given the growing burden on the financial system the optimization problem of state finances is becoming increasingly important because the expansion of public finances is quite multifaceted, but the economy's possibility in terms of mobilizing financial resources can't keep up with the growing needs. For a clear understanding of what kind of the transformation of state finances is required we have to substantiate the difference between budgetary and non-budgetary relations. During the exchange in the area of private finances the recipient of material goods and the recipient of its financial equivalent are directly involved in commodity-money exchange and have their own interests, so they provide effective control under this agreement. In the system of state finances this direct link doesn't exist. The State finances the budget

services, population them directly receives and all set of state and non-state institutions act as a supplier by providing these budget services. In fact people pay for these services with their taxes that had been collected before. But the money before returning as budget service passes through many parts of the budget system. The implementation of the control functions of finances in this case is complicated, because the basic conditions of commodity-money exchange are violated under the influence of forced withdrawal via State fiscal service of part of citizens' money through taxation and the existence of the state monopoly on providing budget services. Thus there is a need to minimize the lack of effective control. While paying taxes is a constitutional obligation, to review the state monopoly on budget services is a task quite real, as evidenced by international practice.

The involvement of private structures in the public sector is perspective direction for reformation of state finances. Since the mid-1990s in many countries the interest for infrastructure projects, financing and management of which involved the State and private business, had increased. This is due to contradictions between the growing demands on public services and budgetary constraints. Interest in world practice for PPP (public private partnership) is due to its objective benefits. Participating businesses in this sector ensures its more openness and clear mechanisms, because private capital has interest in saving their own resources while providing budget services. A number of developed countries in order to implement a public-private partnership have created a proper legislative field. In Ukraine the Law «On Public-Private Partnership» was adopted back in 2010 [2]. Mechanisms for implementation of PPP projects in Ukraine are similar to those provided in the «Green Paper on public-private partnership» developed by the European Commission. However, the executive branch of the State has not been able to create the necessary conditions for the successful implementation of investment projects with private partners. The Law is more declarative. The obstacle to large-scale implementation of PPP in Ukraine is distrust of the private sector in projects, in which the State acts as a partner, due to the unpredictability of instability in terms of the partnership. The

State's actual steps in this direction could be: tax benefits, non-interference in private partner's economic activity, transparency of private partners' selection, simplifying licensing and registration procedures.

#### References

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