Viktor Yanukovych, President of Ukraine has singled out as the priority task of his country the modernization of the economy. In this regard the Government of Ukraine acknowledges the importance PPPs can play not only in helping attract new technologies into the public sector but even more importantly, in creating the conditions for higher economic growth in Ukraine.

Since 1999, Ukraine has adopted legislation on Production Sharing Agreements (PSA) and concessions. Despite this however, concession projects - that incidentally - are perceived positively by civil society, still do not exist, and as such, the mechanisms which can make these concessions operational have still to be used. Both the public and private sectors have to date overlooked the opportunities that exist in infrastructure modernization projects through these concession mechanisms. There are several reasons for this: (1) There exists an unfavorable investment climate, (2) there is a lack of technical knowledge and know-how in the field and (3) the public authorities lack the experience necessary for these mechanisms.

Because of the recent financial crisis, a growing interest in Public-Private Partnerships in Ukraine at both the state and municipal levels, has emerged. Two pieces of important legislation were passed in 2010: (1) On Public Private Partnerships and (2) on the peculiarities of transfer into rent and concession of communal property objects (these include water, sanitation and heat supplied to rural households). The legislation moreover that regulates the process of preparation and tendering of PPP projects has just been approved in May 2011. The President of Ukraine has also established a specially dedicated body in the field of public-private partnerships. This interagency task-force has been created under the aegis of the Ministry of Economic Development and Trade of Ukraine. It has already begun to conduct training programs in this field for civil servants and local government officials. The state is now ready to review proposals from private investors with a view to their preparation and implementation.

The sectors where PPPs are primarily hoped to be used and which are in greatest need of investment include transport infrastructure (motorways, ports, railways and airports), housing and municipal services (heat supply, water sanitation and supply, waste water treatment and waste treatment) and social infrastructure (health, educational institutions, prisons etc.). The implementation of such
projects will require a significant investment from the private sector, not to mention also from the state and local governments. To date, the Ukraine is ill-equipped with such mechanisms of state support for the implementation of PPPs. Developing such mechanisms has thus become a high priority for the Ukrainian government. In order to address this issue, it will be necessary to both assess international experience and to evaluate the possibilities for incorporating such mechanisms into national legislation while also trying to implement new innovative financing mechanisms for implementing different projects across various economic sectors.

As the time of the UEFA EURO-2012 championship - which will be co-hosted by Ukraine approaches, the country is planning to implement a number of important projects on the construction and reconstruction of Ukraine’s motorways. The regions of Ukraine have also begun working on the preparation of communal and social infrastructure modernization projects. In addition, the State Agency of Ukraine on Investment and Development of National Projects was established to coordinate issues related to the implementation of priority projects for the state including those based on PPP models. In fact, a number of ‘think tanks’ and research centers have been working on developing suitable methodologies for developing PPPs. This interest provides the basis for a heightened sense of optimism about the progress of public-private partnerships in the Ukraine.

A very important issue that the Ukrainian government has been working toward today is not only the institutional support of the public-private partnership process including the establishment of a PPP unit, for the horizontal interactions between central bodies of executive power as well as local governments, but also the formulation of a strategic vision of public-private partnerships for the next three decades.

The strategy for developing public-private partnerships is in fact divided into three stages: In the short-term the focus will be to take account of the shortcomings of the previous experience with concession mechanisms with a view to implementing a few pilot public-private partnership projects. In the second stage in the medium term, the Government will determine the priority economic sectors for the use of public-private partnerships. In the third stage and in the longer term, the Government will identify the main principles of public-private partnership.

In this exciting process of taking the first steps in PPPs, Ukraine strongly welcomes the cooperation with the UNECE Team of Specialists on PPPs. Cooperation with UNECE and other international partners will ensure that these first steps in PPPs become the strong foundations for a successful programme of PPP and the modernization of the country’s infrastructure and its economy.