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THE EFFECT OF CORONAVIRUS COVID-19 ON INCREASING THE COST OF THE PUBLIC-PRIVATE PARTNERSHIP MODEL IN UKRAINE

Abstract. The article examines the impact of the COVID-19 pandemic on public-private partnerships. The impact of a new type of coronavirus on the global business is considered. In particular, the OECD interim economic forecasts, the dynamics of world GDP are analyzed, and the impact on the world GDP of coronary virus scenarios is illustrated. Measures are proposed to reduce the impact of COVID-19 on state-business cooperation in Ukraine.

Keywords: coronavirus pandemic; economic crisis; GDP; risks; PPP projects.

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ВПЛИВ COVID-19 НА ПІДВИЩЕННЯ ВАРТОСТІ МОДЕЛІ ДЕРЖАВНО-ПРИВАТНОГО ПАРТНЕРСТВА В УКРАЇНІ

Анотація. У статті досліджується вплив пандемії COVID-19 на державно-приватне партнерство. Розглядається вплив коронавірусу нового типу на світовий бізнес. Зокрема, проаналізовано проміжні економічні прогнози ОЕСР, динаміку світового ВВП та проілюстровано вплив на рівень світового ВВП коронавірусних сценаріїв. Запропоновано заходи щодо зменшення наслідків COVID-19 на співпрацю держави та бізнесу в Україні.

Ключові слова: пандемія коронавірусу; економічна криза; ВВП; ризики; проекти ДПП.

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ВЛИЯНИЕ COVID-19 НА ПОВЫШЕНИЕ СТОИМОСТИ МОДЕЛИ ГОСУДАРСТВЕННО-ЧАСТНОГО ПАРТНЕРСТВА В УКРАИНЕ

Аннотация. В статье исследуется влияние пандемии COVID-19 на государственно-частное партнерство. Рассматривается влияние коронавируса нового типа на мировой бизнес. В частности, проанализированы промежуточные экономические прогнозы ОЭСР, динамика мирового ВВП и проиллюстрировано влияние на уровень мирового ВВП коронавирусных сценариев. Предложены мероприятия по уменьшению последствий COVID-19 на сотрудничество государства и бизнеса в Украине.

Ключевые слова: пандемия коронавируса; экономический кризис; ВВП; риски; проекты ГЧП.

Statement of the problem in general. The coronavirus pandemic poses new challenges to global business, since its negative, serious impact on the global economic situation is obvious. Reduced production in China is felt around the world, reflecting China's key and growing role in global supply chains, tourism and product markets. Further outbreaks in other economies have a similar impact, albeit on a smaller scale. Accordingly, it is projected that annual growth in global GDP will fall to 2.4% overall in 2020. Growth prospects remain uncertain. A longer and more intense outbreak of coronavirus, which is widespread throughout the Asian region, Europe and North America, will significantly weaken the prospects. In this case, global growth could fall to 1½ percent by 2020, which is twice the projected rate before the outbreak of the virus (Figure 1).

Governments need to act quickly and aggressively to overcome the coronavirus and its economic impact. By 2020, illustrative simulations are supposed to suggest that global growth could be reduced by ½ percentage point this year (Figure 2) [1].

	2019	2020		2021	
		Interim EO projections	Difference from November EO	Interim EO projections	Difference from November EO
World ¹	2.9	2.4	-0.5	3.3	0.3
G20 ^{1,2}	3.1	2.7	-0.5	3.5	0.2
Australia	1.7	1.8	-0.5	2.6	0.3
Canada	1.6	1.3	-0.3	1.9	0.2
Euro area	1.2	0.8	-0.3	1.2	0.0
Germany	0.6	0.3	-0.1	0.9	0.0
France	1.3	0.9	-0.3	1.4	0.2
Italy	0.2	0.0	-0.4	0.5	0.0
Japan	0.7	0.2	-0.4	0.7	0.0
Korea	2.0	2.0	-0.3	2.3	0.0
Mexico	-0.1	0.7	-0.5	1.4	-0.2
Turkey	0.9	2.7	-0.3	3.3	0.1
United Kingdom	1.4	0.8	-0.2	0.8	-0.4
United States	2.3	1.9	-0.1	2.1	0.1
Argentina	-2.7	-2.0	-0.3	0.7	0.0
Brazil	1.1	1.7	0.0	1.8	0.0
China	6.1	4.9	-0.8	6.4	0.9
India ³	4.9	5.1	-1.1	5.6	-0.8
Indonesia	5.0	4.8	-0.2	5.1	0.0
Russia	1.0	1.2	-0.4	1.3	-0.1
Saudi Arabia	0.0	1.4	0.0	1.9	0.5
South Africa	0.3	0.6	-0.6	1.0	-0.3

Note: Projection based on information available up to February 28. Difference from November 2019 Economic Outlook in percentage points, based on rounded figures.

1. Aggregate using moving nominal GDP weights at purchasing power parities.

2. The European Union is a full member of the G20, but the G20 aggregate only includes countries that are also members in their own right.

3. Fiscal years, starting in April.

Source: [1].

Figure 1. OECD Interim Economic Outlook Forecasts, 2 March 2020
Real GDP growth, year-on-year % change

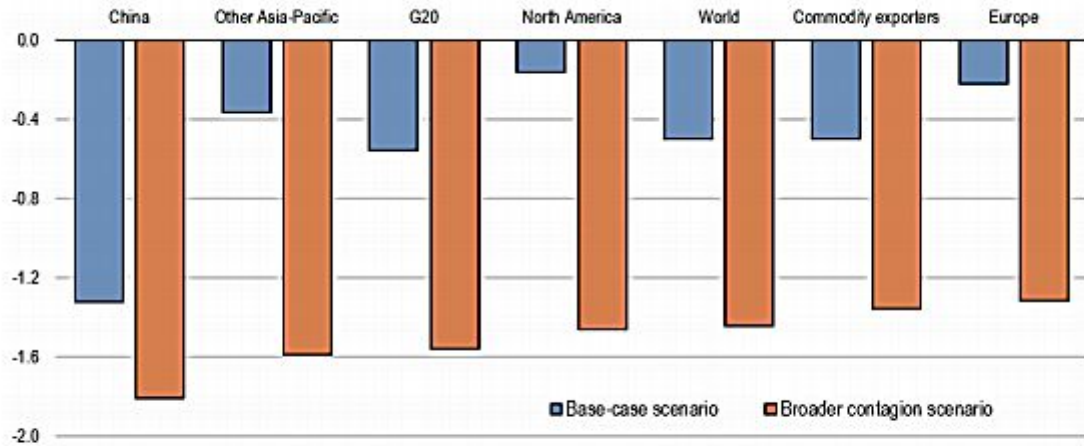
The scenarios presented here illustrate the potential global economic impact that may result from the outbreak of COVID-19 in China and the risks that it spreads to other economies. The analysis contains two scenarios, at first despite the possible consequences of containing the outbreak, concentrated mainly in China and subsequently the potential consequences of an illustrative scenario of decline, in which the outbreak spreads much more than before, occurred in other parts of the Asia-Pacific region and the leading economies of the northern hemisphere .

If the effects of global pandemics on the global economy, such as the Spanish flu or the Middle East respiratory syndrome, are analyzed, then there is a decrease in investments in risky markets, cities with large service sectors that are becoming vulnerable, and millions of dollars in costs to prevent the spread of infections.

CNN said that as supply chain contracts are concluded, economic activity in the US is declining, and companies are taking their resources to survive. Banks are under increasing pressure from lending, and debt is increasing. If the collapse of the oil market and the

temporary cessation of trading in New York stocks are an indication of the supporting economic impact of the coronavirus, global public and private sector leaders need immediate mitigation strategies.

Change in GDP growth in 2020 relative to baseline, percentage points



Note: Simulated impact of weaker domestic demand, lower commodity and equity prices and higher uncertainty. Base-case scenario with the virus outbreak centred in China; broader contagion scenario with the outbreak spreading significantly in other parts of the Asia-Pacific region, Europe and North America. See Box 1 for full details of the shocks applied. Commodity exporters include Argentina, Brazil, Chile, Russia, South Africa and other non-OECD oil-producing economies.

Source: OECD calculations using the NiGEM macroeconomic model.

Source: [1].

Figure 2. Illustrative coronavirus scenarios highlight the adverse impact on growth

Thus, global business should be prepared for the short-, medium- and long-term impact of the coronavirus pandemic on the economy and on public-private partnerships in general.

Analysis of recent research and publications. Such foreign and domestic scientists as N.M. Bodnar [5], J. Delmon [6], and others have devoted their attention to issues related to the systemic management of PPP projects. Some scientists in the field of management projects, in particular N.D. Babiak [4, p. 96], suggest considering the range of knowledge about the PPP project management from the standpoint of multiple points of view, give a synergistic effect: knowledge management, change management, general management, project implementation models (and others), Strategic management, social sciences.

Highlight previously unsolved aspects of the problem. Having analyzed the research of scientists on this problem is complex, we propose to consider the impact of force majeure, including the new-type coronary pandemic on PPP project activity.

The purpose of the article. The main goal of this work is investigating the impact of coronavirus on PPP project activities.

Research results. Public-Private Partnerships (3Ps) are a tool that helps governments harness the experience and effectiveness of the private sector, raise capital and stimulate development. They also help to share risk in the public and private sectors where it is best managed and provide a reasonable allocation of resources to meet current development needs.

The economic impact of the virus on GLP will put a huge burden on project stakeholders, users, the private corporate sector and the public sector for weeks, months or years. Today, the standard definition of force majeure circumstances in project agreements based on SOPC or PF2 does not apply to this type of event – quarantine events caused by COVID-19. The database of standard World Bank contracts provides one example of the definition of force majeure situations: earthquakes, floods, fires, plague, God's acts and other natural disasters. In many public infrastructure projects, governments compensate senior

lenders against payment disruptions caused by force majeure. If these guarantees do not exist, we can expect litigation between counterparties to increase systemic risk. But governments can go further to reduce systemic risk than simply stand by existing force majeure guarantees. The inclusion and termination of services associated with COVID-19 is unlikely to constitute an emergency under the project agreement, given that this definition is intended to apply to a short-term emergency that requires the mobilization of emergency services.

Depending on the sector and any actions taken by the authorities, protection may be available in accordance with the provisions regarding compensation events, the entry of authorities, assistance events and justification of provisions in the payment mechanism. Changes to the law may also be relevant depending on the terms of the project contract and the steps that the government takes.

With reduced economic activity, PPP projects (especially in the transport sector) will have big problems with profit. In most cases, the extent of the vulnerability and the extent of this force majeure risk were not foreseen in PPPs, which rely on revenues from user fees. An even more critical situation, not only in Ukraine, but in the world is observed in seaports (loss of delivery fees and services), airports (loss of gate fees, refueling fees, commercial concessions at the airport), toll roads (no users through citywide quarantines) and hospitals (new patients with uncertainty about how they will pay their medical bills). Even PPPs that generate revenue from accessibility payments can suffer in the long run, as governments face counterparty countries, lower tax revenues and fewer treasury and budgetary resources to meet their accessibility obligations.

In addition, day-to-day operations and project management of PPPs will be at risk, as workers in special vehicles (companies designing PPPs) will be incapacitated, especially when it comes to project operations and knowledge of maintenance projects.

Therefore, world and domestic governments need to build a strategic direction plan to mitigate the effects and rebuild their economies. Governments need to actively intensify their engagement with their private sector partners to mitigate the effects of PPP projects as soon as they become available. It is very important to be confident in the private sector that as soon as problems arise, they can contact their partners from the public sector and share the consequences of the projects without fear of criminal actions that can unilaterally accuse them of influence.

It is also important that recovery plans are aligned with national strategic priorities. Strategic recovery plans should focus on win-win recovery tactics that cover the needs of both the public and private sectors.

A positive moment in the world is that today in the world we are witnessing a new wave of cooperation between the state and business. An example of such interaction is the EU, which supports a new state-private partnership in the amount of 90,000,000 euros for the development of a vaccine against the coronavirus COVID-19, since the epidemic is spreading further in Europe [2]. 90,000,000 euros will be channeled through the Innovative Medicines Initiative, a partnership between the EU and the pharmaceutical industry.

Conclusion. Thus, Ukraine needs to take an example to follow, it is necessary to immediately take targeted actions to identify vulnerabilities, establish the impact of the project, monitor risks, proactively manage risks and determine voluntary and mandatory recovery measures. This includes engaging with all stakeholders to optimize recovery actions. Recovery planning will only be effective if short, medium, and long-term strategies are adopted that address the necessary mitigation measures today, the next few weeks, and the coming months.

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