

INVESTING OPPORTUNITIES THROUGH PUBLIC-PRIVATE PARTNERSHIP IN MOLDAVIAN ECONOMY

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Abstract

The paper studied the impact of a public-private partnership objectives and scope that are more beneficial for the community's private profit and social welfare for the public, in order to determine the next task: defining, identifying features and principles of public-private partnerships, identifying criteria for their classification, identification of objectives and benefits they can get a public private partnership, public private partnership development analysis in the Republic of Moldova the importance of implementing this and proposed projects, identify gaps in regulation and proposing public private partnership for achieving performance in this direction.

Key words: investments, private sector, public-private partnership

INTRODUCTION

Public-private partnership can be easily defined as one of the basic mechanisms of a company that wants to develop permanent, which is closest to the capitalist state stability achieved through a true and fair relationship between the two sectors participating in the economic social and state: public and private sector. The public sector provides rules, stability and sometimes a redistribution of resources to the private sector. The private sector provides all resources, modern management model, social stability, economic models for public sector performance. Through a public-private partnership legislation properly administered by a coherent and clear interdependence between the two sectors may generate positive results in terms of economic and social sectors.

The concept of public-private partnership expressed a way of cooperation between the public and private sector, namely NGOs, business associations or companies, for the provision of quality public services. Fundamentally, public-private partnerships delivering public services in whole or in part, by private funds raised and calls for know-how of the private sector. Cooperation between public and private sector can take various forms, from the simple relationship

between the buyer and seller of a good joint venture with complex structure. It signaled that govern complex interdependencies and relationships within the public sector developments connected to public services [1].

Public-private partnerships are forms of cooperation between public authorities and the private sector aimed at carrying out infrastructure projects or providing public services. These agreements, which typically involves complex legal and financial arrangements involving private operators and public authorities have been developed in several areas of the public sector and are currently used in the EU, especially in transport, public health, public safety, waste management and distribution.

MATERIALS AND METHODS

In this paper, the practice of developed countries shows that economic infrastructure is more attractive than social infrastructure private partnership, this interest is reinforced by the relatively high profitability of economic infrastructure projects, and growing investment needs in this area (Table 1).

Table 1. Design investment needs worldwide, billion USD annually

Investment directions	Period		
	2000-2009	2010-2019	2020-2029
Telecommunications	654	646	171
Roads	220	245	292
Railways	49	54	58
Electricity distribution	127	180	241
Water supply	576	772	1037

Source: prepared by the author, based on data OECD: Infrastructure to 2030 [online]. [Cited 3 December 2012].

Available:

<http://www.oecd.org/sti/futures/infrastructureto2030/40953164.pdf>

Advantages of public-private partnerships are multiple:

- Project cost sharing between public authorities and third parties.
- Outsourcing of activities of public administration structure that can be better achieved as a result of collaboration with the private sector (such as by license or sale);
- Ensuring financial transparency, concentrating financial capital in the public services and utilities;
- Sharing risks of a business, whether it entails a partnership with the activity for profit;
- Accountability and awareness of the business community to get involved in local community projects that interest;
- The emergence of positive effects on employment and participants in projects of interest to the community;
- Efficient use of expertise held by the private sector;
- Reduce costs for governments or local authorities;
- Use of know-how and private management of public projects;
- Reduce the need for loans / investments borne by the public sector;
- Increased efficiency in project development, implementation period less technical innovation and high quality of service provided.

Some disadvantages of this form of collaboration for the public sector are:

- Loss of control over licensed activities;
- Increased public spending necessary to establish a mechanism for increased control of public institutions involved in the partnership;
- Inability closely monitoring the rights of

citizens, especially in terms of quality of service provided;

- Creating a state of dependency to private public sector and not least, the high degree of complexity of the contracts governing such a relationship;
 - Permanent existence of the risk that the private partner to enter into insolvency or bankruptcy, which can lead to sudden interruption of the service provided, with negative effects on citizen beneficiary;
- However, the advantages of public-private partnership justify taking risks and the public sector, experience proves that this kind of collaboration has brought many long-term benefits than disadvantages or economic loss. The biggest advantage is that some of the risks of the project is transferred to the private partner, in addition to construction risk, the private partner can assume either the operating risk or a risk to availability.

RESULTS AND DISCUSSIONS

In Moldova, the Law on Public-Private Partnership was adopted in 2008 and, to date, there is an advance set of defining a clear policy on development. However, programs initiated and proposed to initiate aimed at increasing institutional capacity and providing technical support for implementation will have a direct impact fully strengthen these capacities aiming at the completion of the entire public-private partnership frame and the involvement of all these institutions for successful projects. In the same vein, the public-private partnership institutional structure, designing importance of financial institutions present on the Moldovan market, the latter having an important role in financing infrastructure. So minor involvement of these institutions in developing and promoting public-private partnerships can bring, by itself, breaks into the development of new concept because their strategy will not be adjusted in time to support involvement in implementation and financing, long-term infrastructure projects, which provides for up to 50 years. As long as the process of involving all relevant actors will be finalized and then submitted adjustments, we

can talk about the quality of investment projects involving know-how of the private sector, which, in fact, is an element of the reform and recovery.

National total number of public-private partnership projects is shown in the figure below (Fig. 1).

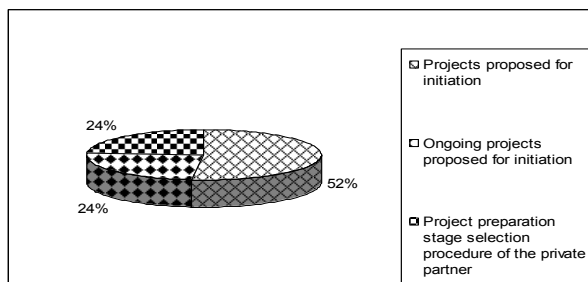


Fig. 1. Total number of public-private partnership projects in 2011

Source: prepared by the author, based on data the Public Property Agency [online]. [cited 10 December 2012]. Available: <<http://www.app.gov.md/md/eventsppp/>>

Notice that the total number of ongoing projects at the end of 2011 they were 15 increasing by a third in the last 2 years. Initiating a number of public-private partnership projects conclusively demonstrates the interest and support of the Government and local authorities and private initiatives presence.

Public-private partnership is a prerequisite to ensure consistency and transparency in implementation of programs to achieve them. At the same time, the partnership thus contributing to the strengthening of governance and local development. While PPP can be critical in certain economic times one of the main sources of economic development or to maintain a constant level of development, job creation or maintenance of a low rate of unemployment, create budgetary resources consistent and secure both local budgets and at the center [2]. Republic of Moldova deals with public-private partnership interest as opportunities for economic development, but applying it in different ways and in different fields such as infrastructure (public roads and highways), health, education, detention facilities, water, energy, transport and telecommunications etc. Construction public-private partnerships can be used in all areas. Is when the private

partner provides both design and construction as a project for public agency. This type of partnership can reduce time, save money, provide stronger security risk and allocate additional projects to the private sector. It also reduces conflict with one entity responsible for design and construction in front of the public partner. Public sector partner owns the assets and is responsible for operation and maintenance. Were initiated in Moldova a number of public-private partnerships in construction [3].

The fact is that public-private partnerships can be an important element of real solutions for Moldova's economic recovery, a factor that must be applied correctly as long as the back, have a broad portfolio of experience international, so successful, and how of failure. Over the years a number public-private partnership is considered to be one of the most promising concepts in dealing with major challenges in the world. As a result, it can be said that the public-private partnership can be divided into four different frames that depend on each other, which means that decisions taken in the framework will take effect automatically on other frames:

- Policy Framework
- The legal framework
- Institutional framework
- The regulatory framework.

Policy framework. To avoid cases return decisions when changing government policy, it is recommended that the idea of adopting the public-private partnership concept is supported by all political parties and not just the government that is in power. This is of particular importance because private partners recover their investments (invested costs) only after a long period of time and so want to be sure that the project will last for the entire period of time provided. Even more, people are dependent on public services (e.g. electricity, heating, etc.) And thus demonstrates a legitimate interest for such services to be offered not only during the period of time provided for a public-private partnership project, but times [4]. Laws and decisions, the spirit which is not shared by those who are responsible for

implementing the decision, have minimal opportunities to be effective. Thus, it is desirable to have a large commitment in the case of the local political and administrative level.

And finally, the concept of public-private partnership tends to establish partnerships between public and private sector (including NGOs). Without the support of the private sector, public-private partnership strategy will be null and void. It is in this moment, prospects must be taken into account when decisions will be taken on the PPP procession.

CONCLUSIONS

In this paper the author aims to examine the development of public-private partnerships in Moldova, to establish the main areas of application, the attractiveness of their current conditions of implementing this law, creating a direction oriented support, the support of state, thus able to conclude:

– 2012 have been prepared and approved list of property belonging to the State and public works and services proposed national public-private partnership, which allows potential investors to choose the subject in which to invest that best suits industry, human and financial capacity of the investor;

– Regulation was approved standard procedures and conditions for selecting the private partner that provides methodological aspects of achieving public-private partnerships and standard application documents;

- An important step was the institutionalization of public-private partnership by establishing the National Council for public-private partnerships;

– Republic of Moldova were initiated in a number of public-private partnerships in construction, particularly housing and socio-cultural objectives in support of state employees, health - renovation / construction, equipping, financing, operation and diagnostic imaging services in several hospitals, water supply to some localities with targets that extend through modernization and expansion of its branch and operating systems capture,

processing, transport and distribution of drinking water, as well as collection and treatment of waste water;

– Under contracts signed in 2010 and 2011, the amount of investments accounted for all million MDL 2200, a record in public-private partnerships. Relatively high profitability and economic infrastructure projects needs increased investment in this area has attracted 95 percent of total FDI, while 4 percent of the investment or MDL 88 million is oriented towards primary health care, construction and operation of hospitals.

In conclusion one can say that the creation of a favorable policy framework for public-private partnership s means creating a broad consensus regarding the sustainability of public-private partnership concept for Moldova, which means that the content of public-private partnership is attractive and understandable to all stakeholders: the private sector and the public sector. Importance for the development of public-private partnership policy framework.

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