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Public-Private Partnership in the Conditions of Decentralization: New Opportunities for Territorial Communities in Ukraine

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ABSTRACT

The article examines the impact of the decentralization reform on the development of public-private partnership and new opportunities that are opening for territorial communities. It has been established that the transfer of powers and resources to the local level has given communities the status of full-fledged public actors with their own financial resources. Modern research and regulatory changes are analyzed, in particular the adoption of the new Law of Ukraine "On Public-Private Partnership" of 2025, which has simplified the procedures for attracting private capital and expanded the range of public partners. It is found that decentralization has expanded the institutional framework of public-private partnership, allowing communities to initiate projects in cooperation with business for the development of local infrastructure and services. The mechanisms of public participation in the implementation of public-private partnership at the local level and the need to ensure a balance of interests between government and business are considered. The experience of the first implemented agreements has demonstrated the benefits of public-private partnership for communities (modernization of roads, social infrastructure facilities, etc.) conditional on the proper allocation of risks and benefits. Attention is also focused on risks that hinder the development of constructive interaction between local government and business, imperfect legislation and the lack of public audit can lead to corrupt practices or the loss of municipal property. The study concludes that, in the context of increasing the financial independence of communities and participation in national reconstruction projects, PPP is an important tool for the innovative development of territories, but it requires transparent procedures, public participation, and strict compliance with legislation to ensure a long-term, mutually beneficial outcome.

KEYWORDS

public-private partnership, decentralization, territorial communities, local self-government, institutional mechanisms, government-business cooperation, reconstruction, public actors, public audit, public interest.

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Публічно-приватне партнерство в умовах децентралізації: нові можливості для територіальних громад в Україні

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СТАТТЯ

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АНОТАЦІЯ

У статті досліджено вплив реформи децентралізації на розвиток публічно-приватного партнерства та нові можливості, що відкриваються для територіальних громад. Було досліджено, що передача повноважень і ресурсів на місця надала громадам статус повноцінних публічних акторів із власними фінансовими ресурсами. Проаналізовано сучасні дослідження і нормативно-правові зміни, зокрема ухвалення нового Закону України «Про публічно-приватне партнерство» 2025 року, який спростив процедури залучення приватного капіталу та розширює коло публічних партнерів. Виявлено, що децентралізація розширила інституційні рамки публічно-приватного партнерства, дозволивши громадам ініціювати проєкти на умовах співпраці з бізнесом для розвитку місцевої інфраструктури та послуг. Розглянуто механізми участі громадськості у реалізації ППП на місцевому рівні та необхідність забезпечення балансу інтересів влади і бізнесу з урахуванням суспільного інтересу. Досвід перших реалізованих угод продемонстрував користь від публічно-приватного партнерства для громад (модернізація доріг, об'єктів соціальної інфраструктури тощо) за умови належного розподілу ризиків і вигід. Також акцентовано увагу на ризиках, які заважають розвитку конструктивної взаємодії місцевого самоврядування і бізнесу, недосконале законодавство та брак контролю можуть спричинити корупційні зловживання або втрату комунального майна. Зроблено висновок, що в умовах посилення фінансової самостійності громад і участі у проєктах відбудови країни публічно-приватного партнерства стає важливим інструментом інноваційного розвитку територій, проте потребує прозорих процедур, участі громадськості та чіткого дотримання законодавства для забезпечення довгострокового взаємовигідного результату.

КЛЮЧОВІ СЛОВА

публічно-приватне партнерство, децентралізація, територіальні громади, місцеве самоврядування, інституційні механізми, співпраця влади і бізнесу, публічні актори, публічний аудит, суспільний інтерес, відбудова.

1. Introduction

Public-private partnership (PPP) is an important tool for attracting investment in infrastructure development and improving the quality of public services in Ukraine both at the national and local levels. The essence of PPP is cooperation between a public partner (state or local authorities) and private business on a long-term basis, when the resources of both parties are combined with the distribution of risks, responsibilities and benefits for the implementation of socially significant projects. In the world, the PPP model is widely used for the construction of roads, ports, hospitals, the development of utilities, etc., ensuring mutually beneficial cooperation: the community receives investments and a modern facility without a full burden on the budget, and business receives profit from the operation of this facility.

In Ukraine, the institution of public-private partnership began to form with the adoption of the first specialized law in 2010. However, the practical results remained insignificant for a long time: the number of concluded PPP transactions grew slowly, and even fewer of them were actually implemented. As of the beginning of 2025, after the entry into force of the new Law of Ukraine "On Public-Private Partnership", which replaced the Law of Ukraine "On Public-Private Partnership" of 2010, about 200 contracts were concluded on the terms of the PPP, of which only 22 were at the stage of implementation, while the vast majority were either not implemented or were terminated [5]. This situation indicates that there are significant problems in the implementation of PPP mechanisms in Ukraine, due to both regulatory and institutional barrier deficiencies, lack of experience on the ground, limited access to finance and other factors. A number of researchers note the gap between the declared benefits of PPPs and the actual modest indicators of concluding and executing such agreements. Among the reasons for stagnation are imperfect legislation, bureaucratic procedures, lack of information and knowledge at the local level, financial constraints, force majeure circumstances (including war) and corruption risks.

In view of the above, the problem of the study is to identify institutional and practical changes that have arisen as a result of decentralization to intensify public-private partnerships at the level of territorial communities. It is necessary to outline the new opportunities that municipalities have received for the implementation of innovative projects in cooperation with the private sector, as well as to analyze the risks and conditions for the success of such cooperation in the context of updating public policy and the effectiveness of public authorities in modern conditions and in the period of post-war recovery.

2. Literature Review

Among those who dealt with this problem, a number of Ukrainian researchers should be noted. The problems of development of public-private (public-private) partnership in Ukraine and in the world are widely covered in the scientific literature. Researchers pay considerable attention to identifying obstacles and finding ways to activate PPP in the domestic economy and at the level of territorial communities. Ukrainian researcher Mostovyi [7] studied the main obstacles to the implementation of PPP in Ukraine, drawing attention to institutional and regulatory barriers, low level of trust between the state and business, and corruption factors. Kocherov [3] focused on the problem of instability of guarantees of the rights of private partners in the Ukrainian legal field, which deters investors from participating in long-term projects. Naboka [8] analyzed the problems and prospects of PPP as a form of interaction between government and business in the field of public services and infrastructure development, emphasizing the need to improve cooperation mechanisms to achieve mutual economic and social benefits of the parties. Studies on this issue also raise the issues of information openness and awareness of communities about the institution of PPP as a mechanism for attracting private capital to the implementation of socially significant projects, the importance of training local personnel and involving the public in the discussion of such projects [9], which is directly related to public administration and public control.

As a result of the decentralization reform in Ukraine, the topic of interaction between territorial communities and public-private partnership (PPP) in the process of implementing projects in various fields was actualized in the scientific discourse, so scientists began to actively study the impact of decentralization on the development of PPP. Mishenina et al. [6] substantiated the feasibility of introducing PPP mechanisms in the field of environmental management in the context of decentralization, pointing out that the newly created amalgamated communities have significant potential to attract private investment in the rational use of local natural resources. Yukhymenko et al. [16] investigated the process of using natural resource potential in a new decentralized environment and proved the need to form a favorable institutional environment for the development of PPP, which will increase the economic independence of rural communities. In particular, it is emphasized that the conclusion of PPP agreements can become a factor in strengthening the financial self-sufficiency of territorial communities that have received new powers and assets within the framework of the local self-government reform [12; 13].

The analysis of scientific publications shows that public-private partnership is the subject of lengthy discussions and research, but the real practice of its application in Ukraine until recently was characterized by a small number of projects and limited results. Baranovska et al. [2] in their work, they focused on the legal regulation of PPP relations and the protection of the interests of business entities in Ukraine, noting the importance of improving legislation to balance the interests of public and private partners. Given the low number of successfully implemented projects, the researchers proposed various ways to activate PPP: simplifying procedures, increasing transparency, and introducing educational programs for civil servants and community representatives [8]. Noskov [9] conducted a comprehensive study of the interaction of local self-government bodies and small and medium-sized businesses in the PPP format at the level of Ukrainian communities. He found a discrepancy between the frequent declarations of the usefulness of the PPP and the real slowness of the development of this institution. Based on the statistics of the Ministry of Economy, the author showed a slow growth rate in the number of contracts and a low level of their implementation by regions [9]. The paper summarizes the reasons for the stagnation of PPPs (institutional, informational and educational, financial, unpredictable and corrupt) and proposes innovative approaches to cooperation between local governments and business, in particular the use of digital platforms, increasing transparency and introducing new forms of partnership, taking into account the specifics of communities and the conditions of decentralization [9].

Thus, the analysis of the literature testifies to the fragmentary nature of the study of PPP issues rather than a holistic vision of its development. A significant part of scientific works is focused on the macro level (national policy, legislative support) or on sectoral analysis (in particular, infrastructure, energy, social projects). On the other hand, the interaction of local self-government and PPP as a separate, systemic and multidimensional object of research has not been sufficiently developed, which determines the scientific and practical relevance of further study of this problem.

3. Problem Statement

The purpose of this work is to identify how the decentralization reform expands the institutional framework of public-private partnership and creates opportunities for local innovation projects in territorial communities.

4. Methods and Materials

The study is based on an interdisciplinary methodological approach that combines general scientific, legal, and empirical methods, which ensures a comprehensive analysis of public-private partnership (PPP) development in the context of decentralization in Ukraine. The theoretical basis of the research includes the concepts of public-private partnership, decentralization, institutional theory, and public governance, which allow PPP to be considered as an element of public policy and local development.

Among the general scientific methods, analysis and synthesis, induction and deduction were used to identify the institutional features of PPP and to generalize the effects of decentralization reform. The comparative method made it possible to assess changes in the legal status, powers, and financial capacity of territorial communities as public partners before and after decentralization.

The formal-legal method was applied to analyze the regulatory framework governing PPP, including the Laws of Ukraine “On Public-Private Partnership”, “On Local Self-Government in Ukraine”, and “On Cooperation of Territorial Communities”, which allowed identifying key legal innovations and procedural simplifications for PPP implementation at the local level.

Empirical analysis is based on official statistical and analytical materials of the Ministry of Economy of Ukraine, reports of international and civil society organizations, and selected practical examples of PPP projects at the community level. A systemic approach and elements of risk analysis were used to identify institutional, financial, and social risks and to determine the conditions for balancing the interests of public and private partners.

The research materials include normative legal acts, scientific publications, and publicly available analytical sources covering the period from the beginning of decentralization reform in 2014 to the adoption of the updated PPP legislation in 2025.

5. Results and Discussion

The decentralization reform in Ukraine, combined with the evolution of legal regulation of public-private (public-private) partnerships, has created fundamentally new conditions for the implementation of such projects. At the initial stage, the legal framework was formed primarily by the Law of Ukraine "On Public-Private Partnership" of 2010 and related amendments to budget and sectoral legislation, within which the public partner was mainly the state – central executive bodies or state-owned enterprises.

Later, in the context of the completion of the administrative-territorial reform and strengthening the financial capacity of communities, a new Law of Ukraine "On Public-Private Partnership" of 2025 was adopted [15], which officially enshrined the term "public-private partnership" and expanded the circle of public partners, clearly including local self-government bodies. From now on, village, township, city councils or their executive bodies acting on behalf of the relevant territorial communities can fully apply for the role of a public partner. The Constitution of Ukraine and the Law of Ukraine "On Local Self-Government in Ukraine" give communities the right to independently resolve issues of local importance, including the management of communal property, providing the population with public services and stimulating local economic development [12]. It is these powers, strengthened by decentralization and the updated legislative framework, that constitute the legal basis for the implementation of public-private partnership projects at the local level.

The decentralization reform in Ukraine, which began in 2014, became a fundamental prerequisite for the full development of the institution of public-private partnership (PPP) at the local level, creating fundamentally new conditions for such interaction between territorial communities and business, which is reflected in the table (Table 1).

One of the important regulatory and legal results of the decentralization reform was the adoption in 2014–2015 of the Laws of Ukraine "On Voluntary Amalgamation of Territorial Communities" and "On Cooperation of Territorial Communities", which contributed to the consolidation of municipalities and increased their capacity to implement larger-scale infrastructure projects [13, p. 1]. Amalgamated territorial communities received an expanded resource base (land resources, communal property, increased budgets) and motivation to attract private investment for the construction or modernization of infrastructure. At the same time, approaches to the state regional policy were revised: since 2015, the amount of financial support for regional and local development from the state budget has increased (through the State Fund for Regional Development, subventions, etc.) [11, p.23]. Such changes in the status of local self-government, its ability to influence the distribution of powers and resources caused by decentralization, revealed the need for urgent adaptation of specialized legislation on PPP to new realities. Already during 2015–2020, a number of amendments were made to the Law of Ukraine "On Public-Private Partnership" and related acts aimed at expanding the scope of application of PPP, clarifying the procedures for selecting a private partner and regulating the budgetary participation of territorial communities in such projects. Against this background, state capital expenditures, funds from the State Regional Development Fund and international technical assistance were increasingly directed to infrastructure projects in communities. This, in turn, stimulated the practice of co-financing: private investors began to join the implementation of facilities initiated by communities and supported by the state, who participated in the financing and management of such projects on the basis of PPP. However, a real breakthrough in the regulatory provision of PPP was the emergence of a new version of the law on public-private partnership. On June 19, 2025, the Verkhovna Rada of Ukraine adopted the Law of Ukraine "On Public-Private Partnership" No. 4510-IX, which replaced the previous law of 2010 [15, p. 2]. The new law significantly improves the legal and organizational foundations of cooperation between government and business.

Firstly, it directly determines that a public partner can be not only the state or its body, but also a territorial community represented by the relevant council or executive committee, as well as municipal or state enterprises authorized by a public partner [15, p. 3]. Thus, communities are officially recognized as equal participants in PPP.

Table. 1. Institutional changes of PPP under the influence of decentralization

Direction of change	Before decentralization	After decentralization	Consequences for PPP at the level of territorial communities
Status of communities as public partners	Key decisions on PPP are focused at the level of central authorities; Communities are mostly executors of state programs	Territorial communities are recognized as full-fledged public authorities capable of initiating and ordering PPP projects	It becomes possible to form and promote PPP projects based on local needs and community development strategies
Competencies and powers	Powers to manage property, land and infrastructure are dispersed, requiring numerous approvals from central authorities	Concentrated and expanded powers of communities in the field of management of communal property, land resources and infrastructure	The time for preparing decisions is reduced, the risk of blocking initiatives at the initial stages of the PPP is reduced
Financial capacity	Limited revenue base of local budgets, high dependence on transfers	Increase in own revenues, introduction of direct inter-budgetary relations	Municipalities get real opportunities to provide co-financing and fulfill financial obligations under the PPP
IPR Regulatory Framework	General PPP frameworks, insufficient number of specific tools and procedures for the local level	Updated legislative framework, detailed procedures for the preparation and implementation of PPPs, the emergence of separate tools for reconstruction projects	Legal uncertainty for partners is reduced, and the launch of projects at the community level is simplified
Private Partner Selection Procedures	Predominance of paper procedures, long terms of consideration and approval of documents	Use of electronic tender procedures, standard packages of documents, simplified approaches to “small” PPP projects	Transaction costs are reduced, competition between potential partners increases, and selection transparency increases
Risk management and guarantees	Lack of established approaches to risk distribution between the parties	The spread of contract models with clearly defined risks, the ability to pay for the availability of the service, etc.	Conditions for investors are becoming more predictable, attracting external financing is facilitated
Attracting donors	Donor resources are attracted sporadically, outside the logic of PPP projects	Grants and loans from international partners are integrated into the structure of the PPP	Opportunities for the implementation of combined projects (grant funds, private investment and resources of local budgets) are expanded.
Intermunicipal cooperation	Cooperation between communities is mainly informal and irregular	Official mechanisms of intermunicipal cooperation are being introduced	Joint PPP projects are emerging to solve problems that go beyond the boundaries of one community (garbage collection, water supply, energy, etc.)
Public participation and accountability	Public discussions are held unsystematically, without uniform procedural requirements	Requirements for openness of information, public consultations, and monitoring of project implementation are being formed	The population's trust in PPP is strengthened, the risk of social resistance to the implementation of projects is reduced
Institutional support	There are no stable structures that would accompany communities at all stages of PPP	State and regional support offices are being created, methodological recommendations and training programs are being prepared	The number of errors at the preparation stage decreases, communities go from an idea to a full-fledged PPP project faster
Procurement and related processes	The rules on PPP are poorly aligned with the legislation on public procurement and concessions	Coordination of PPP procedures with the electronic public procurement system, unification of documentation requirements	The risk of legal conflicts is reduced, and the interaction between PPPs and related project implementation tools becomes clearer
Execution control and audit	Control over the execution of contracts is carried out mainly selectively and after the fact	Planned performance indicators, external and internal audit, public reporting are being introduced	The manageability of the quality of services increases, there are opportunities to adjust the terms of cooperation without terminating the contract

Source: Developed by the author.

Secondly, the very approach to determining the areas of application of PPP has been changed: if the version of the Law of Ukraine “On Public-Private Partnership” contained a detailed, but essentially closed list of sectors with the possibility of extending PPP to other socially significant areas by the decision of the state partner, then the version of the Law of Ukraine "On Public-Private Partnership" establishes a general rule that PPP can be applied in all areas, indicating a non-exhaustive indicative list and at the same time fixing exceptions for areas and objects in respect of which the PPP cannot be applied, namely: for the implementation of projects in areas where the law establishes a restriction or prohibition on the implementation of the PPP and/or on the transfer of a certain object to a private partner.

Thirdly, the possible forms of PPP implementation are clearly spelled out: a concession agreement and a PPP agreement [15]. Positive foreign experience is taken into account, the main forms of interaction between public and private partners are systematized [2, p. 102]. This is important because the vagueness of the previous law hindered the implementation of projects.

The new law also aims to remove bureaucratic obstacles. The procedures for preparing and selecting projects have been simplified. The transition to holding tenders through the electronic trading system (ETS) under the public procurement model is envisaged. The general vector is digitalization and transparency of all stages of the PPP project, which ensures equal access for participants and increased public control. For "small" projects, simplified procedures have been introduced that reduce the preparation time and allow communities to quickly launch local initiatives - in particular, the reconstruction of educational institutions, social infrastructure facilities or roads - without excessive administrative costs. The expected result is increased competition for the right to implement the PPP project, expanding the circle of private partners and accelerating the implementation of projects at the local level.

The 2025 law introduces the concept of a "donor" – an international organization or a foreign government that can provide grants or loans for PPP projects [1, p. 5]. This innovation is especially relevant in the context of post-war reconstruction, when Ukraine counts on the support of international partners. Attracting donor funds reduces risks for businesses and makes projects more accessible to communities, stimulating a co-financing mechanism. From now on, the law allows international financial organizations to participate in the preparation and financing of PPP projects on an equal basis with private investors, which is in line with the best international practices [15, p. 3].

Another important innovation is the ability to pay for infrastructure "in installments". It is a mechanism when a public partner (state or community) makes basic payments to a private partner after the facility is put into operation, within a specified period, i.e., actually pays for the finished result in installments – the so-called "payments for operational readiness" [1, p. 6]. This makes it possible to implement a larger number of projects in the current period, distributing the budget burden for the following years and bringing the calculation mechanism closer to the pay-for-performance model.

For local budgets, such flexibility means that the community can receive, for example, a new bridge or a repaired road right now, and pay the investor gradually. The law states that although this approach reduces the one-time burden on the budget and opens the way to more projects, in the long run the total costs for the budget may be higher than with traditional financing [15, p. 4]. This is logical, because the private partner includes its risks and expected profits in the cost of deferral. However, for communities in dire need of infrastructure restoration, this mechanism is an acceptable compromise.

The new Law provides that the ownership of real estate newly built during the implementation of PPP projects for housing construction may belong, in particular, to a private partner and/or individual beneficiaries (depending on the terms of the PPP agreement and tender documentation) [15]. This norm should stimulate businesses to invest, because they have a tangible asset – a share in ownership. At the same time, it needs clear safeguards so that state or municipal property does not pass into private hands at a reduced cost. In the context of housing projects, this means that a private investor, having built, for example, a house, can receive part of the apartments in ownership (for sale or rent), while the rest is transferred for social housing [2, p. 104]. This approach is already used in the EU countries and has now been implemented in the Ukrainian legal system.

For the period of martial law and within seven years from the date of its termination or cancellation, a simplified preparation procedure is applied to PPP projects for the restoration of infrastructure and the economy included in the state or local lists; the procedure for compiling lists and preparing such projects is approved by the Cabinet of Ministers of Ukraine [15]. The Cabinet of Ministers should develop a separate procedure for such projects, which will speed up all stages – from the development of the concept to the signing of the contract. This is especially important, because the needs for the reconstruction of roads, bridges, schools, hospitals in the liberated and affected territories are huge, and the state budget is not able to finance them on its own immediately. Therefore, the reliance on private capital and public-private partnership as a mechanism for its attraction is justified.

Dmytro Natalukha, Chairman of the Verkhovna Rada Committee on Economic Development, emphasized that the adopted law forms a modern framework for the development of PPP and allows attracting private investments and grant funds for the restoration of state and municipal infrastructure facilities [10]. It is especially important that now the implementation of such projects is possible at the local level – amalgamated communities, small towns and villages will be able to launch initiatives faster in cooperation with business or international donors. This confirms that decentralization and updating legislation open up a new space of opportunities for local self-government.

In the context of decentralization, territorial communities have turned from passive recipients of centralized decisions into active public actors capable of independently shaping the agenda for the development of their territory [12, p. 1]. Having direct elected authorities (councils and heads of communities) and their own executive bodies, communities have received real tools for influencing economic development. Through strategic planning mechanisms, local referendums and public hearings, community residents and authorities jointly determine development priorities, which creates a favorable environment for the formation of effective PPP projects and public policy models at the local level.

Public-private partnership is becoming one of the priority tools for community development, as it allows you to attract external resources for the implementation of projects for which the community lacks funds or expertise. Instead of waiting for subventions "from the center", local authorities can now initiate a partnership with an investor and act as a customer of the project. It is legally enshrined that the initiative to prepare a draft PPP comes from a public partner [15, p. 7]. This means that it is the community – its council or executive committee – that primarily determines the need, for example, to build a new water supply system, modernize the heat supply system or build a modern ASC, and is looking for a private partner for this. This approach is fundamentally different from the old model, when plans came down from above or nothing was done at all due to the lack of state funding.

Providing communities with resources through financial decentralization allowed many of them to accumulate budget funds that can be used to co-finance PPPs [12, p. 2]. Although direct budget investment is limited, community participation may consist in the provision of a land plot, the supply of communications, the exemption of a private partner from equity participation, or the provision of tax benefits. A private investor, for his part, receives guarantees of support from local authorities and community interest in the success of the project [6, p. 325].

From a practical point of view, it is already possible to observe the first initiatives of communities using PPP. For example, in a number of cities of Ukraine, public-private partnership projects in the field of waste management have been announced – the construction of modern waste processing complexes, where the city provides a land plot and guarantees the volume of waste, and a private investor builds a plant and operates it, receiving a fee for recycling [6, p. 325]. Similar initiatives are being considered in Lviv, Kyiv, Mykolaiv. Another example is energy efficiency projects: several amalgamated communities cooperate with private energy service companies (ESCOs) to thermally modernize schools and hospitals. According to the ESCO model, the company invests in building insulation and modernization of boiler houses, and the community pays with the savings from heating over several years. Although ESCO contracts are not always legally PPPs, in fact they are a partnership between government and business in providing public services on mutually beneficial terms, which, in turn, also increases the efficiency of public administration.

It is important to emphasize that communities are not only administrative units, but also communities of residents. Therefore, the success of PPP on the ground largely depends on the level of support of the population [12, p. 4]. The legislation on local self-government provides for the tools of direct democracy – public hearings, local initiatives, general meetings of citizens [13, p. 2]. In the practice of many cities, consultations with the public are held before the implementation of large infrastructure projects – discussion of the terms of concession projects contracts, tariffs, etc. Such tools can be considered as elements of public audit and public control over the decisions of public actors.

Decentralization has increased the responsibility of local authorities to voters for the results of partnership projects. If earlier it was possible to attribute problems to the "center", now the success or failure of PPP directly affects the reputation of the community leadership [6, p. 323]. This stimulates a more balanced approach to the choice of private partners and the terms of contracts. On the other hand, communities have gained more freedom – they can introduce innovative approaches, without waiting for permission from above. For example, some cities introduce a model of corporate cooperation: they create joint ventures with a private investor, where the community has a share [8, p. 15]. Although such a mechanism is not formally a PPP, it allows for a flexible distribution of responsibilities – the city is part of the capital of the enterprise and controls the tariff policy, and the private co-investor is responsible for operational activities.

Thus, the municipalities reformed within the framework of decentralization are now full-fledged initiators and customers of PPPs [4]. They know their local needs better and can offer businesses specific projects based on them. Success depends on the managerial capacity of local authorities – to prepare terms of reference, hold a competition, find an investor, and most importantly – to ensure further supervision over the implementation of the contract. Therefore, state support and the exchange of best practices are critical. Under the Ministry of Economy, there is an Agency for the Support of Public-Private Partnership (PPP Agency), which conducts training for local self-government bodies, develops standard documents and provides consultations [4, p. 8]. It is the formation of such an expert environment that is an important condition for the institutional development of public policy in the field of PPP.

One of the key aspects of a successful public-private partnership is the balance of interests between the public partner (community or state) and the private investor. For the territorial community, this is the improvement of infrastructure and services, saving budget funds, accelerating the development of the territory; for business – profitability, stability and investment protection [10, p. 285]. Structuring partnerships on the principle of mutual benefit and balance of interests allows you to avoid conflicts of interest and increase the resilience of local economies.

Public-private partnership allows the community to implement projects that would not be possible with budget funds or credit resources alone. For example, the construction of a modern water utility or waste processing plant in a medium-sized community requires tens of millions of euros of investment, which exceeds the annual budget of the community. A private partner, by investing these funds, actually accelerates the receipt of the necessary facility by the community for several years. In addition, business experience and competencies are involved: modern technologies, effective management, innovative approaches [6, p. 328]. Often, the private sector is able to implement the project faster and better than communal structures burdened with bureaucracy would do. The community also benefits from the fact that the risks of exceeding the cost or construction deadlines are usually borne by the private partner – if the estimate has increased, these are additional costs of the private partner, and not an additional burden on the local budget [6, p. 329].

In addition, some PPP agreements provide for regular payments of the private partner to communities (royalties, concession payments), or the preservation of the community's ownership of the object after the end of the agreement [14, p. 3]. For a private investor, participation in a partnership opens up access to attractive projects with guaranteed demand – for example, in the field of water supply or waste disposal, where there is a stable market and minimal commercial risks [15, p. 5].

The 2025 law has significantly strengthened the block of guarantees for investors: the state undertakes to guarantee the stability of the terms of the contract and the protection of the rights of the private partner from discrimination [15]. This means that unilateral termination of the contract or change of the rules of the game by the authorities is impossible, and the private partner is protected. In addition, there is the possibility of resolving disputes in international arbitration, which is a significant advantage for foreign investors. Investors can also receive benefits – tax, customs or state guarantees for the minimum income. The government has the right to participate in the distribution of revenues, but such instruments require separate government decisions [15, p. 6].

At the same time, if the partnership is set up incorrectly, significant risks are possible. For the community, the main risk is the loss of control over critical services or property. If the contract is concluded inefficiently, the private partner can gain a monopoly position and dictate unfavorable conditions to the community (for example, inflated tariffs) [7, p 136]. Historically, Ukraine was concerned about the examples of concessions in the 1990s and early 2000s, when state-owned enterprises actually became private property under the guise of partnership. To avoid this, modern legislation clearly defines the requirements for the competitive selection of a private partner, efficiency criteria and transparent terms of contracts [15, p. 7].

Corruption risks also remain. Analysts of the Anti-Corruption Human Rights Council warn that the new law, although aimed at attracting investments, may contain potential opportunities for abuse [1, p. 6]. In particular, we are talking about provisions on the transfer of land plots and property. The law really simplifies the procedure for allocating land for PPP projects – the decision is made quickly so as not to delay the investor [1, p. 7]. However, there is currently a lack of detailing the mechanisms for returning land to the community after the completion of the project and determining the value of the land at the time of transfer. This creates a risk of using PPP as a scheme for understated transfer of assets. To prevent this, experts propose to clearly prescribe the conditions for the return of objects and lands, conduct an independent assessment and provide for compensation mechanisms in contracts [1, p. 8].

Another risk concerns the quality of services. In pursuit of profit, a private partner can save on costs, which can lead to a deterioration in quality. To prevent this, PPP contracts should establish clear requirements for the level of services, reliability and sanctions for violations. The community should reserve the right to control and publicly audit the activities of the partner. The 2025 law allows for the involvement of independent experts to evaluate tender proposals and monitor the implementation of projects [15, p. 8]. This is a good practice that reduces the risk of possible collusion or concealment of problems, and strengthens institutional mechanisms of public accountability.

For a private partner, the main risk is political or economic changes that can make the project unprofitable. For example, a change in local authorities may call into question the current contract. The law provides for mechanisms for stabilizing conditions: a private partner is protected from unilateral changes in the terms of the contract [15]. If such changes are necessary, the contract is subject to revision, or the private partner receives compensation. In case of a decrease in demand, the public partner can compensate for losses in the form of minimum guaranteed payments, as it is practiced in international concession models [10, p. 286].

Therefore, ensuring the balance of interests in the PPP should be considered as a multi-level task that has not only an economic, but also a distinct political dimension. On the part of the territorial community, it is important to clearly outline the socio-economic priorities of the project, determine the volume and quality of services acceptable to the population, the level of payment and the necessary guarantees, select a reliable partner based on the results of an open competitive procedure and, after concluding the contract, carry out constant public monitoring of its implementation. For a private partner, the key is a responsible attitude to obligations, compliance with the terms of the contract, transparency of actions and readiness to work in the long term. The role of the state is to form clear and stable "rules of the game", provide guarantees and support where the local level is objectively limited in its capabilities.

In this logic, public-private partnership and local self-government appear as interrelated institutions of public policy, which, under the condition of effective interaction, contribute to the formation of a democratic and socially responsible political system capable of adapting to non-systemic challenges, crises and external destabilizing factors. Successful examples of PPP show that for achieving a balance of interests, the state, business and the community receive mutual benefits, and society as a whole receives better public services and modernized infrastructure. This gives grounds to consider PPP as an effective mechanism for building a sustainable and inclusive model of governance at the local level, which is a fundamental prerequisite for the effectiveness of public policy.

6. Conclusions

Decentralization has transformed territorial communities into full-fledged public partners and initiators of PPP, expanding their powers to manage property, land and local budgets and opening access to more flexible financial and procedural tools. The updated regulatory framework of the PPP with simplified electronic selection procedures, the possibility of post-payment mechanisms ("payment for accessibility"), integration of donor resources and inter-municipal cooperation reduces transaction costs, increases transparency and competition, providing communities with practical chances to implement infrastructure and social projects that were unattainable under the centralized model. At the same time, the effectiveness of this model is directly determined by the managerial capacity of local authorities to correctly distribute risks, ensure the quality of services in accordance with certain performance indicators, as well as carry out systematic monitoring of the implementation of contracts through the mechanisms of public audit and public control.

Further institutional dynamics in the field of partnership will require full harmonization of by-laws, strengthening of management capacity at the local and regional levels (in particular through the expansion of the network of PPP support offices, the introduction of unified documentation and professional trainings), as well as the integration of effective safeguards against corruption and social risks. The latter is achieved by ensuring the publicity of the terms of interaction, mandatory consultations with the public, the introduction of independent audits and transparent reporting. Under such conditions, public-private partnership is transformed from an exclusively financial recovery instrument into a strategic catalyst for local innovations, ensuring the convergence of the interests of government, business, and community residents.

This approach guarantees the high effectiveness of public administration, creating a long-term effect in the form of modernized infrastructure, improved quality of public services and systematic strengthening of the local economy in the interests of society, which is a key indicator of the success of modern state policy.

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