

# ATTRACTION OF INVESTMENTS IN THE FORM OF CONCESSIONS IN UKRAINE AND POLAND

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**Abstract.** *The article examines the history of concessions in Ukraine in comparison with the Polish concession experience. A concession is a specific form of attracting capital, combining the efforts of the state and private companies with the aim of building or improving capital-intensive and important facilities or providing socially useful services. The relevance of the problem of studying the concession experience of attracting capital in the form of concessions is noted (the adoption of the appropriate legislative framework in Ukraine and the start of the work of such enterprises). The broad geography and deep historical roots of the concessions are emphasized. Concession policy in Ukraine dates to the 19th century. It was found that in the history of our state there are both successfully implemented contracts and prematurely terminated concession agreements. It was noted that successful projects were an effective form of cooperation between the state and private capital. New enterprises were created that demonstrated high productivity. It was found that the Polish concession policy differed on a larger scale, the attitude towards the concessionaires was more loyal, the enterprises achieved high results. Ukrainian concession practice did not differ either in the scale of the projects or in their large number.*

**Key words:** *concession, concession policy, concession enterprise, concession agreement, concessionaire.*

**Formulation of the problem.** A concession is the transfer to a private operator of the right to design, build or modernize an object, provide services. The transfer of public facilities into private hands has a long history and a wide geography. Starting from the Middle Ages, when the granting of concessions was fragmented, without the appropriate legal framework and special authorities, the concession theory was formed, accumulated and improved, and the practice was replenished with examples of successful or unsuccessful projects in different parts of the world. The concessions related to the construction and operation of infrastructure facilities, the extraction of minerals. Contracts were concluded for a long period. Enterprises transferred to concessionaires often showed high rates of development. Thanks to the concession practice, large enterprises were created, roads and canals were built. Studying the historical and modern experience of attracting investments by private companies on a concession basis is an urgent problem for scientists of Ukraine.

**Analysis of recent research and publications.** The problem of Ukrainian concessions was studied by such domestic researchers as Y. Volosnyk, M. Onatskyi [Волосник, Онацький, 2016], V. Kabachek [Кабачек, 2015], M. Zabashtanskyi [Забаштанський, 2013], A. Vozhenko [Боженко, 2018], G. Pilgrim [Пілігрим, 2013] and others. All of them made a significant contribution to the understanding of the specifics of domestic concession policy in different

historical periods; the development of Soviet concessions during the NEP period, forms, scales and reasons for the rapid collapse of the concession policy in the Ukrainian SSR; successful concession projects. Separate scientific works contain a generalization of the Ukrainian and world concession experience. A relevant and interesting issue is the comparative analysis of the concession policy of Ukraine and neighboring states, for example, Poland.

**The purpose of this article** is to analyze the history of concessions in Ukraine and Poland.

**Presenting main material.** Concession is a tool for involving the private sector in the implementation of various important economic projects; acceptance by a private party of the functions of managing a state-owned enterprise during a certain period and assuming part of the financial risks [Ковальова, 2014]. The sale and privatization of some important economic objects without the possibility of control by the state are impractical and dangerous steps. The Law "On Concessions" has been in effect in Ukraine since 1999, a significant update of the content of this law took place in 2019 [<http://zakon5.rada.gov.ua/laws/show/997-14>]. The Lviv-Krakowets road, the Lviv-Brody highway, the 19th-century palace of Tartakiv are among the state and communal property concessions in the Register of the State Property Fund of Ukraine [<https://www.spfu.gov.ua/ua/content/spf-rent-concessions.html>]. Motorways, airports, and railways require significant capital investments to modernize in accordance with European standards. World experience shows effective examples of the transfer of state property into a concession [Хмурова, Руда, 2020].

Concessions are a widespread phenomenon in the world, which has deep historical roots. The first concessions concerned the construction, arrangement, and expansion of the medieval cities of Southern France (XII-XIII centuries). The first concession for the extraction of minerals arose in Italy [6, p. 6]. In the 19th century in Austria, concession contracts were concluded for the construction and operation of railway lines (Crown Prince Rudolph Railway). At the end of the 19th century concessions appeared in the Russian Empire [Дубок: 6-7].

In Ukraine, state cooperation with the private sector began in the 19th century. Researcher G. Pilgrim distinguishes three stages in the history of public-private partnership in Ukraine as part of the Russian Empire and the USSR (medieval, pre-revolutionary and Soviet). The first stage falls on the period of the Middle Ages. Concessions at that time were granted in the field of subsoil use, had a non-contractual nature [Пілігрим: 125].

The pre-revolutionary stage (from the middle of the 19th century to 1917) was a period of widespread public-private cooperation at the national, regional levels. The concession concerned the extraction of minerals, construction and operation of infrastructure facilities [Пілігрим: 125]. Concessionaires were given the right to build a centralized water supply in Kyiv. The contract was signed in 1870 between the City Duma and A. Struve. The concession lasted until 1914, when the city administration bought the object [Дубок: 7-8]. In Kharkiv, the arrangement and operation of the horse-drawn railway was handed over to Belgian entrepreneurs on a concession basis. The first line was opened in 1882. However, a long conflict between the city administration and the concessionaires led to the inhibition of the development of urban transport in Kharkiv [Боженко, 2018].

History of Ukraine in the second half of the 19th and early 20th centuries has vivid examples of concluding concession agreements, activities of concession enterprises. The main condition for the successful implementation of concession projects is the active support of the state. Ukrainian concession experience of the 19th century did not always show high results. Thus, Kharkiv's concessions showed their effectiveness only at the initial stages [Боженко, 2018].

The concession experience of Poland in the 19th century was interesting. At that time,

thanks to private capital, the city of Łódź successfully developed in the country. Banker L. Kronenberg was a supporter of concessions. Thanks to his influence and financial support, 550 small companies with 4,000 workers were created in the city [Puś: 50]. He was the founder of the Warsaw-Terespol Railway Company, which received a concession for the construction of a railway line in 1864. In 1868, regular service began [Поліщук, 2019]. Concessions in Poland in the 19th century related to transport, the sphere of service, production of goods.

The Soviet period (1920s) in the concession history of Ukraine was characterized by the activity of state-wide concessions. It was an important experience in the history of Ukraine, when the Bolsheviks dared to conduct an economic experiment. The Soviet government allowed the existence and activity of the private sector of the economy under the control of the state, invited foreign entrepreneurs to work in the USSR on a concession basis. Conventionally, the Soviet concession policy can be divided into three stages: 1) 1917-1920 - the period of concession policy planning, creation of the first normative legal acts, first foreign proposals; 2) 1920-1929 - the period of implementation of concluded agreements, improvement of the legal framework; 3) 1930-1937 - the period of curtailment of the concession policy [Забаштанський: 257].

The concession issue in the Soviet state has always caused heated discussions [Яковенко, 2007: 110]. On November 23, 1920, the Soviet government issued the Decree on General Economic and Political Conditions of Concessions [Декрет]. The X congress of the RCP(b) in 1921 supported the directions of the concession policy and the adoption of the Decree [X съезд: 612]. Concessions in Ukraine appeared in 1922. In 1923, the process of agreeing and approving concession contracts became centralized and was transferred to the Main Concession Committee under the Council of People's Commissars of the USSR [Волосник: 34].

In Ukraine, concessions operated in various spheres of activity: construction and operation of infrastructure facilities, industrial and agricultural production, trade, including foreign trade operations. The number of concessions in the Soviet Ukraine was insignificant. One of the famous Ukrainian concessions was the mixed company "Tezfurel", which was engaged in the restoration of electric lighting, tram connections, water supply in Kyiv [Волосник: 34]. The German side undertook to supply equipment worth 5 million marks, receiving a 7.5% commission and 7% per annum for the loans provided [ЭЖ, 1922. 29 марта]. A successful example of public-private cooperation in Ukraine was the mixed company "New Bavaria" (the Estonian citizen I. Okman), which united five powerful breweries of Kharkiv. The company quickly became one of the most powerful in the region's industry [Кабачек: 66]. In 1923, 421 workers worked at the enterprises. Labor productivity at the concession was 3.8 times higher than at state-owned enterprises [ДАХО. Ф.-р. 203. Оп. 2. Д. 74а]. However, the concession was liquidated already in 1924 [Волосник: 35].

Foreign entrepreneurs invested in the field of trade. In 1923, the mixed British-Ukrainian food company "Brito-ego" started working on a concession basis in Ukraine. It was engaged in the procurement and export of eggs [ЭЖ, 1923. 29 ноября]. In the same year, the German-Ukrainian company "Ege-export" was created, which also carried out its activities in the field of procurement and export of products [Волосник: 35].

Branches of all-Union mixed companies operated in Ukraine. Since 1922, a branch of the "Rusgertorg" company (Russian-German trading company) has been operating, which was engaged in procurement and export of agricultural products and scrap metal. The Vostvag branch (also Russian-German) specialized only in agricultural products. A branch of "Rusavstorg" was operating. The specific weight of trade concessions in the total volume of exports of the Ukrainian SSR was insignificant, since the number of such concessions was also small. However, in the

export of certain goods, the share of concession enterprises reached 50% [**Вісник статистики: 77**]. Statistical data indicate high profits from trade concessions [**Вісник статистики: 72**]. Only representative offices of all-Union trade concessions operated in Ukraine, which testified to the rigid centralized policy of the Soviet government in this area [**ЦДАГО. Ф. 1. Оп. 20. Д. 1888. Л. 124**].

In the field of agricultural production in Ukraine, since 1923, a "pure" concession "Professor Nansen's Mission" has been operating. In the early 1920s, Norwegian citizen F. Nansen managed the activities of charitable organizations that provided aid to the starving in the USSR. The contract was signed. In the Soviet Ukraine, concessionaires were allocated about 5,000 acres of land along with inventory and buildings for the development of agriculture and animal husbandry in the region. The majority of workers at the concession were local residents. Factories were built, electrification was carried out, assistance was provided to local peasants with seed material and equipment. An employee of MCC in 1925 emphasized the great agricultural importance of this concession. From 1925 to 1927, the concession received profits. In 1927, it was liquidated [**Волосник: 36-37**].

In general, there were few concessions in Ukraine in the 1920s, contracts were often terminated prematurely.

In the 1920s, the concession business developed more successfully in neighboring Poland than in Soviet Ukraine. Poland was open to foreign investment, especially in the period 1926-30, since it was during these years that the first attempt to modernize the economy was made. Gdansk developed rapidly, as it was an open city, three maritime concessions were successfully operating there [**Leszczyńska: 295**]. The work of concessions in the mining industry of Poland was effective. Railway concessions were not developed because they were considered unprofitable from a strategic point of view [**Tomaszewski: 280-281**]. Y. Pilsudskyi categorically opposed them, who called to develop the economy by one's own forces, to carry out reforms [**Leszczyńska: 296**]. Although foreign economic advisers who arrived in Poland in the 1920s recommended the Minister of Treasury Y. Chekhovych to develop concessions in transport and the mining industry (copper and silver mining) [**Leszczyńska: 295**]. German capital entered Poland with concession offers, but the perception of Germans by Poles at that time was sharply negative [**Tomaszewski: 281**]. One of the concession seekers in the early 1920s was P. Danylyak. In 1912-14, he sold alcoholic beverages on a concession basis in the city of Sudova Vyshnya. In 1921, P. Danylyak tried to get a concession again, but he was refused both in Mostysk Starostvo, and in Lviv Voivodship, and in the Ministry of Industry and Trade in Warsaw, citing a hostile attitude towards the Polish authorities [**Хомяк, 2018**]. The existing concessions demonstrated high performance indicators, even in comparison with state enterprises. Agricultural concessions in Poland did not develop, small land ownership prevailed [**Tomaszewski: 280-281**]. Public opinion regarding the concession case in Poland was not unanimous. Some saw the concessions as a slow colonization of the country by foreigners. The symbol of the movement for concessions in the second half of the 1920s was the Minister of Industry and Trade Y. Kwiatkovskyi. With his assistance, concessionaires built the Shlionsk-Gdynia railway line, as well as a nitrogen plant [**Leszczyńska: 296**]. The Poles had a more favorable attitude towards English capital, sharply negatively towards economic relations with the USSR [**Tomaszewski: 282**]. In 1927, an economic European conference was held in Geneva, during which a statement was made that Poland has a good concession experience [**Leszczyńska: 295**].

Therefore, the Polish concession experience of the 1920s was more successful than the Ukrainian one. Ukraine as part of the USSR did not have the opportunity to act independently;

economic management was brutally centralized, states with a non-socialist system were perceived negatively. The attraction of foreign capital was inhibited in both countries (ambiguous attitude to concessions), but in Ukraine there were more negative factors that led to the curtailment of the concession policy in the 1930s.

**Conclusions.** Studying the historical experience of the developed countries of the world in the field of reforming various spheres of state, economic, and social life is a necessary condition for the modernization of these spheres in Ukraine. In the conditions of technical backwardness and lack of public funds, attracting investments from domestic and foreign companies remains an urgent problem. When the transfer of state objects into private ownership is impossible, the concession becomes the best option for the development and modernization of these objects. It provides for the transfer of state-owned objects into private hands for a long period of time to reduce the pressure on the state budget and to modernize these objects. The history of concessions goes back several centuries, starting from the Middle Ages. Mining and construction dominated among the objects. Over time, the legislative base of the concession policy was improved, and experience was accumulated. In Ukraine, concessions have been developing since the 19th century, but they did not differ in number and scale then. The next stage was associated with the period of the new economic policy of the Bolsheviks, who sought to lead the country out of the economic crisis. The attitude towards concessions was ambiguous. Concessionaires did not always achieve high performance. This was due to the caution shown by the Bolsheviks in the concession policy, excessive centralization of management, pressure from the authorities and other problems. However, there were examples of successful concession projects in which the concessionaire fulfilled the obligations imposed on him by the contract, and the enterprise worked efficiently.

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