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Концесія як інструмент покращення бюджетних та податкових стимулів для інвестиційної привабливості туристичного комплексу в Україні

А. В. Крушинська, Т. А. Самарічева, Д. А. Арзянцева, Н. П. Захаркевич та О. М. Гриценко

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Анотація

Здійснено аргументацію використання концесії історико-архітектурних об'єктів в Україні як інструменту

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Анотація

Здійснено аргументацію використання концесії історико-архітектурних об'єктів в Україні як інструменту покращення бюджетного та податкового стимулювання інвестиційної привабливості туристичного комплексу. Сформовано науковий підхід до бюджетного та податкового стимулювання інвестиційної привабливості туристичних об'єктів з використанням оптимізаційної моделі розрахунку концесійних платежів, яка забезпечує гнучкість стимулювання, враховує інтереси інвесторів, на основі показників оцінки ефективності інвестиційного проекту з одночасною орієнтацією на максимізацію бюджетних надходжень. Обґрунтовано, що бюджетне та податкове стимулювання інвестиційної привабливості туристичних комплексів шляхом впровадження державно-приватного партнерства у формі концесії історико-архітектурних об'єктів дозволить приватному бізнесу інвестувати в привабливі туристичні об'єкти та забезпечить вищу прибутковість готельно-ресторанного бізнесу, оскільки враховуються інтереси інвестора, а також дозволить зменшити бюджетні витрати та збільшити податкові надходження до бюджетів від обслуговування туристичних потоків.

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Concession as a tool for improving the budget and tax incentives for investment attractiveness of the tourist complex in Ukraine

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Concession as a tool for improving the budget and tax incentives for investment attractiveness of the tourist complex in Ukraine

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Abstract. The argumentation of the use of concession of historical and architectural objects in Ukraine as a tool for improving the budget and tax incentives for investment attractiveness of the tourist complex has been carried out. A scientific approach to budgetary and tax incentives for investment attractiveness of tourist facilities has been formed using an optimization model for calculating concession payments, which ensures the flexibility of incentives, takes into account the interests of investors, based on indicators for assessing the effectiveness of an investment project with a simultaneous focus on maximizing budget revenues. It is substantiated that the budgetary and tax incentives for investment attractiveness of tourist complexes through the introduction of public-private partnership in the form of a concession of historical and architectural objects will allow private business to invest in attractive tourist sites and ensure higher profitability of the hotel and restaurant business, since the interests of the investor are taken into account, and will also reduce budget expenditures and increase tax revenues to the budgets from servicing tourist flows.

1. Introduction

Today, the problem of preserving the historical and architectural component of the tourism industry [1, 2] has arisen quite sharply in Ukraine. Since, having a rich tourist potential, the Ukrainian economy not only does not use it to the full, while not maintaining revenues from tourist flows, moreover, objects of historical and architectural heritage every day, waiting for financing and repairs, are destroyed and lose tourist attractiveness, and often simply disappear from the tourist map of Ukraine [3, 4].

Foreign and domestic practice has proved that the most effective form of protection of historical cities is the allocation of areas with a special regime of development and reconstruction on their territory, the organization of reserves. In Ukraine, the transition to comprehensive protection of the cultural heritage of cities began in 1975 with a historical and cultural reserve that covered the historical center of the city of Lviv. Then similar reserves were created in Kamianets-Podilskyi (1977), Chernihiv and Novhorod-Siverskyi (1978), Pereiaslav-Khmelnytskyi (1979). Ostrozi (1981), Lutsk (1985), Putivli (1986), Kerch and Kyiv (1987), Bakhchysarai (1990), Baturyn and Dubna (1992), Hlukhiv, Zbarazhi, Halychy, Odesa, Korsun-



Shevchenkivskiy (1994), etc. In total, out of 38 reserves of the historical and cultural profile, 18 are associated with the protection of heritage in cities.

All reserves should be managed by a single state body for the protection of cultural heritage. In the meantime, the next management system has been formed. The Ministry of Culture and Information Policy of Ukraine manages seven nature reserves, the State Committee for Urban Development manages four. The National Academy of Sciences – only one. The remaining reserves are subordinate to regional or district administrations.

Currently, the state program for the development of historical and cultural reserves of Ukraine is being developed, which would identify the whole range of problems – from the criteria for assessing heritage to the principles of financing activities and insurance of risks arising in this case, in particular:

- 1) reservation of leading historical and cultural complexes for the next organization of reserves.
- 2) creation of new reserves in the system of the unified state body for the protection of historical and cultural heritage;
- 3) financing of reserves in a separate line in the state budget, as has already been done for biosphere and nature reserves, as well as national parks;
- 4) development of master plans for development and comprehensive regeneration programs for all reserves.

Despite all the current difficulties and uncertainty of the legislative framework, reserves now and in the future remain the optimal form of comprehensive protection of the historical and cultural environment.

The search for ways to solve the outlined problem, as the practice of managing tourist facilities in Ukraine shows, is rather limited. On the one hand, most of the objects are state property and belong to monuments of national and local importance, but on the other hand, it is the protection of architectural authenticity that makes the process of their restoration and reconstruction extremely difficult. Budget financing is usually aimed at preserving these objects from further destruction, and not always successful. And the access of a private investor to historical buildings is limited by the lack of commercial motives and the complexity of the mechanism of investing in state-owned objects [5].

Analysis of possible sources of investment in tourist facilities showed that the most optimal is the development of public-private partnership (PPP) in the tourism sector, namely the concession agreement, which is popular both in Ukraine and abroad. A public-private partnership is a long-term cooperation between public and private organizations aimed at fulfilling public responsibilities and allocating risks, rewards and responsibilities to the partner (government or contractor) that is best able to manage them [6]. Public-private partnerships usually include various contractual agreements, which may differ depending on the sector they relate to and the national legislation of each country. Among the various financial arrangements, a concession is usually considered to be a “design-build-finance-operate-maintain” PPP instrument [7]. In this case, the contractor designs, builds, finances and operates the cultural heritage site. Given that governments typically use different procurement and contracts for each of the above-mentioned stages of the process, concessions allow contractors to be more involved not only in decision-making but also in the subsequent management of cultural heritage sites. Concessions are a particularly attractive way to implement projects in the public interest when state or local authorities need to mobilize private capital and know-how to supplement limited public resources. They are the basis of a significant share of EU economic activity and are especially common in network industries and for the provision of services of general economic interest [8]. However, almost all concession projects in Ukraine are insignificant and are implemented in the field of housing and communal services, construction of roads and seaport facilities of the seaport industry.

Thus, the purpose of the study is to deepen the theoretical and methodological provisions and develop practical recommendations for fiscal stimulation of the investment attractiveness of the tourism complex by forming an effective public-private partnership in the field of preservation of historical and architectural objects. The objectives of the study include:

- analysis of foreign and domestic experience in the field of concession in general and tourism facilities in particular;
- establishing the conditions necessary for the transfer of cultural heritage sites into concession;
- analysis of the advantages and disadvantages of concession of historical and architectural objects; determination of the optimal rate of concession payment through the optimization problem of mathematical programming;
- substantiation of the elements of the optimization model for determining concession payments;
- calculation of the budgetary and tax effect of the implementation of the optimization model for determining concession payments.

2. Literature review

It should be noted that the vast majority of scientists believe that the development of public-private partnerships, in particular the concession agreement, is a particularly attractive way to implement various projects in the public interest, when state or local authorities need to mobilize private capital to supplement limited public resources. Thus, Carpintero analyzes the competitive advantages enjoyed by Spanish companies in the international toll road industry and how profitable such concessions are [9]. Bogunović and Kukurin substantiated the positive impact of land concessions on the camping business in the coastal areas of Croatia [10]. Fujiwara reflected the benefits of public-private partnerships in Japan's sustainable public sewage industry [11]. Łapniewska substantiates the advantages of concession on the Berlin electricity grid (the largest in Germany) [12]. Khmurova et al. substantiate the strategy for the development of public-private partnership in the context of global changes [13].

The use of such a tool as a concession in the tourism sector is widely used in many countries around the world. Therefore, Pizzanelli compares the legal aspects of national and European law in the process of regulating state maritime concessions for tourist and recreational use and procedures related to their purpose [14].

Dinica substantiates the use of concessions for tourism business in protected areas, including national parks in New Zealand, with special reference to their financial and in-kind contributions to conservation work [15].

Rodrigues and Abrucio [16], Brumatti and Rozendo [8] consider partnerships and concessions as an alternative for tourism management, a priority for the federal government and for the development of tourism in Brazilian parks, as well as the creation of institutional arrangements with the private sector through concessions to provide tourism alternatives and recreational services.

Wyman et al. [17] analyzed the best practices of tourism concessions through private sector partnerships in tourism in 22 countries. They identified environmental and empowerment commitments and social commitments as the strengths of the best practices of tourism concessions, with these components being most represented in Colombia, Costa Rica, Botswana and South Africa. The analysis of government documents and case studies showed that the biggest gaps in best practices relate to qualification requirements for concessionaires, legal and financial obligations. Canada, New Zealand, Costa Rica, and Botswana demonstrated a higher representation of agreements with these components.

At the same time, despite the significant revenue potential of managing protected areas through private tourism concessions, there are also situations where it is necessary to refrain from approving concessions. Paying for a concession may not be an effective option for some sites, especially if demand for services is limited. In some cases, demand may exist, but the potential concessionaire may not be sufficiently capitalized, interested, or willing to take financial risks. Examples from South Africa and Colombia confirm these problems [18].

It should be noted that there are a number of works that criticize the use of concessions, but such criticism mainly concerns the ability of local authorities to transparently and fairly manage the process of obtaining economic and social benefits, as well as achieving the main goal of protected areas – environmental protection [15, 17–19].

A strong point of concessions in the tourism sector is the support of environmentally responsible tourism practices. Thus, concession agreements increasingly include measures to minimize environmental impact. Depending on the type of concession activity, contracts may require management plans in areas such as waste disposal, infrastructure development, water use and management, and waste recycling measures [20].

The concession of cultural heritage occupies a special place in scientific research and the practice of applying public-private partnership agreements in many countries. Boniotti describes the useful role of research in investment analysis for concessions for Italian state-owned cultural heritage sites [21, 22]. The main examples of public-private partnerships in Italy include the wing of the Royal Villa in Monza, which is currently under concession to a private firm [23]; the 16th-century Villa del Bene, located in Dolce (Verona Province), is now managed by the Regional Directorate of Museums in cooperation with the local agency Pro Loco (local promotion agency). It has become a museum, educational center, contemporary art gallery, and a venue for conferences and weddings [24]; acquisition of the Castle of Pergine (Trento Province) by the CastelPergine Foundation through public underwriting [25].

Lee [26] focuses on the study of the impact of the private sector on the preservation of cultural heritage in China on the example of the Xinhepu Conservation Area in the old residential district of Yuexiu in Guangzhou [25].

Negussie explores the impact of neoliberal conventions and practices on institutional and ownership structures in cultural heritage management using the experience of Ireland and Sweden [27]. Hofmeister and Borchert put forward proposals for improving public-private partnerships in Switzerland [28].

It should be noted that the study of the issue of concession of tourist facilities in Ukraine is urgent, because if these processes are not activated in the coming years, then historical and architectural monuments will completely lose their investment attractiveness.

Returning to the analysis of the Law of Ukraine “On Concessions” [29], in the context of our study, we see that the objects that can be granted a concession include those that carry out activities in such areas of economic activity as the construction and operation of hotels, tourist complexes, campsites and other relevant objects of the tourism industry. According to the European Commission, concessionaires can, for example, build and operate motorways, provide airport services or operate water distribution networks, etc. [30].

The legislator is rather unclear on the issue of whether the concession object includes, for example: fortifications, castle complexes, towers and other architectural monuments. However, practice shows that they act as such objects, but not without a question from the public about the legality of such a concession agreement.

Thus, in 2010, the Lviv Regional State Administration for the first time in Ukrainian practice transferred two old emergency buildings to a concession for 49 years – a palace in Tartakiv (Sokal district) and the ruins of a castle in the Old Village (Pustomyty) district. The first monument was planned to be used as a cultural and recreational complex, and the second – as a platform for festivals and mass events. Despite the obligation to immediately carry out emergency work

and bring the monuments to proper condition in a few years, so far none of the concessionaires even has ready design documentation [31]. Accordingly, during the years of inactivity of the concessionaires, the condition of the facilities deteriorated. To better understand the depth of the problem of concession agreements for castle tourism facilities, we will analyze the appeal of the head of the RSA to the Cabinet of Ministers of Ukraine with a request to allow the transfer of Pidhirtsi Castle to concession and grant the right to determine the concessionaire to the regional state administration. However, the draft resolution of the Cabinet of Ministers, according to which all the requests of the RSA were satisfied, was never signed. The initiatives of the concession regarding the Svirzh Castle (the initiative of the RSA in 2005) and the creation of a recreation complex on the site of the archaeological monument “Novobogoroditska Fortress” in Dnipro did not advance. The concession of the castle “Palanok” in Mukachevo was rejected by the decision of the Verkhovna Rada.

One of the problems that stands in the way of concession agreements is the uncertainty of ownership of objects, for example, Pidhirtsi Castle is absent from the General Register of State Property. Today, there are about 300 castles and about 5 thousand objects of defense architecture on the state register, while only 10%, according to experts, are in satisfactory condition [32]. And now, it is necessary to take into account that the priority restoration work is estimated at UAH 30-35 million in Svirzh Castle, and more than UAH 350 million in Pidhirtsi Castle.

Obviously, in the scale of tourist sites, only a small proportion of them have a chance to receive budget financing, and only after the stabilization of the situation in Ukraine. On the other hand, it is the presence of legislative conflicts that makes it impossible to attract private investment capital to restoration work. It is necessary to fill the legislative gap and add cultural heritage objects to the list of concession objects [33, p. 361].

Restoration of abandoned architectural monuments by private investors has a widespread and successful world practice. For example, the Chateau de Chantilly (France), owned by the Institut de France, under the terms of the concession is at the disposal of billionaire and philanthropist Karim Aga Khan IV and is open to tourist flows, international events and world championships. Similarly, the royal castle of Chenonceau has been privately owned by the Meunier family of entrepreneurs since the late nineteenth century, but is open to the public. The experience of Great Britain, the Czech Republic and neighboring Poland demonstrates that the concession and the leasing of monuments are perceived and popularized. There are dozens of Polish examples where the castle is simultaneously used as a hotel, museum, nature reserve and restaurant. In the Czech Republic, in addition to the concession of Konopiste, Karlštejn, Miroshnik, Sternberk castles, there is also an experience of selling castles into private hands, while historical palaces, fortresses and castles were sold at quite reasonable prices [34].

In turn, it is impossible to ignore the fact that in Ukraine for quite a long time they were extremely cautious about such concession agreements, fearing that the object of national importance would be privately owned. However, in conditions when since 2008, funding for castles from the state budget is practically not allocated, the question is not in whose ownership the object will be, but how to preserve it in general. Unfortunately, the collapse of the tower at Chervonogorodsky Castle in 2013, the Gate Tower of the unique fortification and hydraulic structure of the Polish Gate (2009), the “New West Tower” on the territory of the Kamianets Historical and Architectural Reserve (2011) indicate that time is running out to find an investor. In addition, the Resolution of the Cabinet of Ministers of Ukraine “On the Effective Use of Public Funds” [35], which regulates the termination of the preparation of drafts of new state target programs or amendments to approved target programs that require additional funding from the state budget.

Although the concession issue is not limited to the concession permit, the question of how to make is limited to the concession permit, the question of how to make the facility attractive

to the investor, while the investor has more incentives to invest in quick-recovery industries, with a higher rate of return, without fulfilling the obligation to the state and society to preserve the facility in good condition, its reconstruction in accordance with a whole set of rules and restoration requirements. The main problem is finding a concessionaire who will be willing to invest in the tourism industry in Ukraine [33, p. 362].

Article 6 of the Law of Ukraine “On Concessions” regulates that proposals on the list of specific objects of state ownership that can be granted in concession are made by the relevant central executive bodies. Approval of the object-by-object list is carried out by the Cabinet of Ministers of Ukraine [29]. It should be envisaged that the initiators of the preparation of concession proposals may include not only executive authorities, local self-government, but also investors (both residents and non-residents), which will allow them to independently initiate investment projects that interest them.

When transferring objects of cultural heritage to concession, it is necessary to comply with the following conditions [33, p. 362]:

- correct conduct of restoration work;
- work schedule and strict adherence to it;
- 70-80% of the use of the object for tourist (cultural) purposes and only partially for other functions, such as a hotel, museum, restaurant, gift shop, workshop, etc.;
- monuments of national importance must be accessible to visitors;
- compulsory insurance by the concessionaire of concession objects;
- granting concession payments privileges, including in the form of installments, deferrals, full or partial exemption from concession payments for a certain period of time to concessionaires of unprofitable and low-profitable concession facilities of social importance;
- the concessionaire may provide in the contract for the provision of subsidies, compensations and benefits, but only within the limits and in accordance with the procedure provided for by law;
- it is mandatory to carry out entrepreneurial activities on the basis of the operation of the concession facility (not to use the castle as an example for living);
- create jobs and conclude employment contracts, as a rule, with citizens of Ukraine;
- to use technologies, materials, and equipment of domestic production at the concession object, unless otherwise provided for by the terms of the agreement; to keep the concession object in proper technical condition;
- to transfer the concession object in proper technical condition to the concessor under the conditions of the agreement after the expiry of the concession agreement;
- providing the concessionaire with a land plot for the implementation of the relevant project.

The Law of Ukraine “On Concessions” actually does not provide benefits for the investor, according to which the concessionaire pays duty, VAT and excise tax when importing tangible assets under a concession agreement on a general basis. In addition, regardless of the consequences of economic activity, the concessionaire must pay a concession payment to the budget. Given this, both Ukrainian and foreign investors have no incentives to invest in infrastructure facilities. One of the tasks of forming investment attractiveness should be to ensure the flexibility of tax policy. So far, analyzing the legislation, it is quite difficult to name the signs of the attractiveness of the Ukrainian concession and distinguish its sectoral aspects. Despite this, the development and improvement of relations between business entities and the state, based on concession principles, is an important element of the approval of truly market methods of organizing the national economy. In addition, such aspects of tax policy in Ukraine regarding concession activities contradict the essence of the concession as a special

business regime that establishes incentives for business entities [29]. It should be noted that the procedure for determining concession facilities, as well as the conditions for granting subsidies, compensations and benefits are established by the Cabinet of Ministers of Ukraine, but this significantly complicates the procedure, especially for small local tourist facilities. Therefore, it would be advisable to provide for the possibility of establishing the budget and tax incentives within the powers of local self-government bodies. Ukraine should also study the experience of collecting concession payments from countries where concession facilities are exempt from taxes. For example, Germany and France. It is necessary to think about certain preferences for taxpayers; alternatively, it is necessary to provide for the possibility of state aid. For example, in France, state grants for conservation and restoration of monuments are practiced, even if they are privately owned. But at the same time, the status of the monument and the accessibility mode are very clearly prescribed [32].

Returning to the cost of reconstruction of historical heritage sites, in compliance with all restoration requirements, the concession of tourist facilities requires significantly more investment resources than investment in other industries.

Therefore, preferences in concession activities should be sectoral in nature and accordingly increase the tools of benefits and incentives in accordance with the complexity of the investment process and the volume of investment.

Let us consider in more detail the concession of historical and architectural objects, and its advantages in comparison with other forms of management. However, along with the advantages, the concession also has a number of disadvantages that must be taken into account when looking for potential investors.

A distinctive feature of the concession in tourism is that the state, as one of the parties to the concession, has a monopoly on tourist resources (castles, museums, historical and architectural reserves, estates, defense structures, etc.). The most optimal type of concession agreement for tourist facilities, in our opinion, is: ROT – “Rehabilitate – Operate– Transfer”. This scheme is similar to BOT – “Build – Operate – Transfer”, only instead of the building of a new facility, the reconstruction of the existing one is provided [36, p. 42].

Thus, the concessionaire carries out the reconstruction of the historical and architectural object, and then operates it within the established period, after which the object is transferred to the state. Typically, BOT concession schemes are used during the construction of highways, pipelines, power plants, airports, tunnels, stadiums, and other facilities that require significant investment, but must remain state-owned. Among the shortcomings of this concession scheme, it should be noted that such projects are very complex in terms of technical and financial issues and require the involvement of professional experts and consultants in the field of restoration, archaeology, history, art history, etc. This, in turn, leads to an increase in investor costs and a conflict of interest between the benefits of the private and public sectors.

At the same time, a concession is much more profitable for the state as a tool for managing state property than, for example, a lease. The concession eliminates the possibility of so-called “hidden privatization”, when the tenant of state property legally formalizes the ownership of inseparable improvements and actually requires the state to compensate for the cost of these improvements, or does not return the object under the control of the state. In the case of a concession, this option is excluded – here all investments belong to the state [37, p. 310].

It is impossible to ignore the fact that concession agreements are subject to all types of state guarantees for investments made by private investors. Thus, part 1 of Article 18 of the Law of Ukraine guarantees investors the stability of legislation and regulation of investment relations by the norms that were in force at the time of investment (except for tax, customs and currency legislation and legislation on licensing certain types of economic activity). The Law of Ukraine “On the Foreign Investment Regime”, in turn, states that a foreign investor may require the application of the legislation in force at the time of investment for ten years”.

Table 1. Advantages and disadvantages of concession of historical and architectural objects.

Advantages	Disadvantages
By attracting investments for the modernization or reconstruction of tourist facilities, the problems of their accident rate and destruction are solved, the national historical and cultural wealth is preserved.	Lack of a clear and sufficiently tested procedure for the use of state and municipal facilities and their assets (competitive selection procedure, distribution of concession payments, public control).
Creation of sources of revenues of concession payments to budgets of different levels.	Transferring the financial burden for reimbursement of the costs of restoration of the concession agreement object to visitors by raising prices.
For the concessionaire, the conditions for increasing the overall profitability of the business at the expense of significant economic freedom compared to the lease.	Legal support regarding the rights, obligations of the concessionaire, especially regarding tourist facilities, is not sufficiently regulated.
The formation of a competitive environment in the market of state and communal property, in fact, the absence of any competition explains the practical absence of progressive changes in the attractiveness of tourist facilities.	Direction of revenues from the use of the object of the concession agreement to finance projects not related to its operation, for example, the concession of the castle will provide for the construction of a hotel or restaurant in it.
The increase in tourist flows to objects, for example, castle tourism, will inevitably lead to the synchronous development of other enterprises of the tourism industry, as well as related industries (transport, catering, souvenirs, etc.), each of which is a source of tax revenues and new jobs.	There is a risk that raising prices will make it impossible for boarding school students, pensioners, and other socially vulnerable groups of the population who currently enjoy preferential tariffs to visit tourist facilities.
They make it possible to interrupt the concession agreement in case of violations by the concessionaire of its terms and conditions and return the object to state or municipal ownership.	Possibility of appropriation of the concession facility after the expiration of the concession agreement through illegal actions or amendments to the legislation.
They ensure partnership between the state and private business in solving priority tasks, in particular, during the concession of historical and architectural monuments, a number of tasks are solved, from stimulating tourist flows to preserving the national heritage of Ukraine.	They require significant tax and credit preferences in the conditions, since the object of concession agreements is characterized by low investment attractiveness and a high payback period of the project.
Ensuring significant cooperative and cumulative effects due to the economic growth of the tourist facility.	The risk of poor-quality restoration and reconstruction, which violates the historical and architectural value of the object.
Strengthening the competitiveness of castle tourism, strengthening its domestic and international positions.	The financial risks of the concessionaire grow into financial risks for the state property (the possibility of freezing construction and restoration works, as evidenced by two previous concessions of castles in Ukraine).

The same regulatory act stipulates that foreign investments in Ukraine are not subject to nationalization, requisition and confiscation. However, the legislator provides for the forced termination of investment activities in case of violation of architectural norms, which should be clearly understood by the concessionaire who invests in historical and architectural objects, in particular palaces, castles, towers, estates, etc. This norm also significantly affects the level of investment attractiveness of tourist facilities, since it increases, in this case, the level of intervention in the activities of the investor by state bodies and carries the risk of termination of the concession agreement. In general, negative aspects of this kind should be compensated to the investor by other fiscal instruments to equalize the investment attractiveness at the intersectoral level.

3. Methodology

The concession payment based on the results of the concession tender or direct negotiations is calculated:

- 1) as a share (in percent) of the net income received by the concessionaire from concession activities according to the following formula:

$$CP = NI \times CPR \quad (1)$$

where CP is the amount of the concession payment, UAH; NI – net income for the relevant reporting period (month/quarter/six months/year) from concession activities (sale of products (goods, works, services) carried out in accordance with the terms of the concession agreement, UAH; CPR – concession payment rate, interest;

- 2) as a share (as a percentage) of the value of the granted concession facility, determined based on the results of its market valuation. For such a calculation, the estimated amount of the concession payment is determined according to the following formula:

$$CPe = (MV \times CPR) \div n \quad (2)$$

where CPe is the estimated amount of the concession payment, UAH; MV – market value of the granted concession object based on the results of its independent appraisal as of the date of appraisal of the concession object, carried out in the manner prescribed by the legislation on the appraisal of property, property rights and professional appraisal activities (excluding value added tax), UAH; CPR – concession payment rate, interest; n is the frequency of payment of the concession payment (determined in the concession agreement (month (12), quarter (4), six months (2), year (1)).

The estimated amount of the concession payment is subject to mandatory indexation to the consumer price index.

In order to determine the concession payment in the concession agreement for the first reporting period, the amount of the concession payment for the base calculation period is determined by the following formula:

$$CPb = CPe \times CPI \quad (3)$$

where CPb is the amount of the concession payment for the base settlement period, UAH; CPe is the estimated amount of the concession payment, UAH; CPI is the consumer price index from the date of evaluation of the granted concession facility until the beginning of the first reporting period for which the concession payment is made.

The amount of the concession payment is determined by adjusting the amount of the concession payment for the previous period by the consumer price index for the

relevant reporting period. If the concessionaire provides new concession facilities to the concessionaire during the term of the concession agreement, in accordance with the terms of such agreement, the concession payment may be increased in the manner prescribed by the concession agreement.

- 3) as a fixed payment, which may depend on the volume of goods, works or services provided by the concessionaire. A fixed payment is defined in monetary form as the product of payment for a unit of goods, work or service (hereinafter referred to as the payment) and the total number of units of goods, work or services. The amount of payment may decrease in the event of an increase in the volume of goods, works or services. The minimum thresholds for increasing the volume of goods, works or services that give grounds for reducing the amount of payment, as well as the maximum amount of such reduction, are determined in the tender documentation. The fixed payment determined in UAH is subject to indexation to the consumer price index in the manner and on the terms specified in the concession agreement.

The amount of the concession payment rate is determined based on the results of:

- concession tender and consists of the minimum concession payment rate specified in the tender documentation and the additional concession payment rate proposed by the winner of the concession tender;
- conducting direct negotiations, taking into account the conclusion on the expediency of making a decision on the implementation of a public-private partnership in the form of a concession.

Having considered all the above methods of concession payment, we can say that they all have certain shortcomings.

- 1) when finding the concession payment as a share (in percent) of the net income received by the concessionaire from concession activities, there are a number of risks:
First of all, it is difficult to predict the amount of net income for, for example, a brewery in the Kushnirska tower of the city of Kamianets-Podilskyi, since the demand, commercial risks and features of the cost of the future business are not known in advance. Another disadvantage is that if the payment is paid upon receipt of net income, it may be shadowed by the concessionaire;
- 2) with the second method of concession payment as a share (in percent) of the value of the granted concession object, determined by the results of its market valuation, there are problems of market valuation of historical and architectural development. As an example, to estimate the market value of the Old Fortress of the city, if there are no analogues in the market, the object is unique, and the historical and architectural value has a very wide range of probable valuation. Here, the subjectivity of the appraiser is possible and there are potential risks of corruption agreements to underestimate the value of the concession object.
- 3) when calculating the concession payment as a fixed payment, which may depend on the volume of goods, works or services provided by the concessionaire, it is also difficult to avoid potential risks. For example, during a pandemic, when delivery is not carried out or during production downtime. After all, factors independent of the concessionaire interfere here. The possibility of preliminary agreements on the creation of favorable minimum thresholds for increasing the volume of goods, works or services is not excluded.

We, in turn, propose an alternative method of calculating concession payments, which will allow the most profitable public-private partnership for both parties to the concession agreement.

The proposed approach is based on the optimization problem of mathematical programming. The task of this optimization task is to determine the optimal concession payment rate, which will ensure, on the one hand, the target profit from the concession of the historical development object, and on the other hand, it will meet the interests of the concessionaire and serve as a guarantee that after the payment of concession payments, the entrepreneur will still have a profit, which is not always guaranteed by existing methods.

However, a very important point is that in this aspect we are talking primarily about the concession of historical and architectural objects. It is those castles, palaces, fortifications that are in disrepair that require significant budget investments (in their absence) and concession is the only way to preserve historical buildings.

The main requirement for this method is the preservation of profitability for the investor, while maximizing concession payments for the entity that concedes the facility, taking into account the costs of reconstruction and restoration of the facility.

Then the mathematical model of the problem will look like this:

$$Z = (NPV - Vr) \cdot x_i \rightarrow \max$$

$$\begin{cases} IRR\% \geq x_i < R\%; \\ x_i \geq i \times V_b; \\ (NPV - Vr) \times x_i \leq Wk. \end{cases}$$

where x_i is the concession payment rate; NPV is the net present value of the investment project; Vr – the cost of reconstruction, restoration, conservation (determined before the approval of the investment project); i – the interest is provided by law as the starting rent; V_b – book value of the object; R – discount rate in the market; Wk – is the market value of a long-term lease of a commercial facility similar in area; IRR – internal rate of return (reduces the risk of the investor to incur losses in the process of execution of the concession agreement); R is the cost of capital (discount) in the market or the rate of return on the investment project.

4. Results

Let's analyze investment projects in the tourism sector on the example of the city of Kamianets-Podilskyi [38]. All proposed investment projects fall under the direction of public-private partnership, which is an effective way to solve the problem of destruction of tourist facilities. In general, there are thousands of historical and architectural objects in Ukraine that need to attract investment resources. This is also confirmed by tourism projects submitted for funding from the State Fund for Regional Development. The vast majority of them relate specifically to repair and restoration works. Analyzing the objects of investment proposals in the field of tourism in Kamianets-Podilskyi, we see at first glance, quite attractive objects for public-private partnership. However, despite the very advantageous location in a picturesque canyon or in the historical part of the Old Town, we have a situation where for many years these investment projects remain offers and are not in demand. The main problems of the situation are:

- imperfect investment proposals, where there are no other data in addition to the above information
- the investor's need to work with historical and architectural objects and fulfill the requirement to preserve the authenticity of the object, to preserve its historical material and technical structure and form and the original architectural design together with valuable historical layers and allows to consider the object as a document of history and a work of architecture;
- the need for strict compliance by the investor with repair and restoration, construction, finishing standards;

Table 2. Justification of elements of the optimization model for determining concession payments.

Element of the optimization model	Argumentation of application
IRR Limitations	the internal rate of return reduces the investor’s risk of incurring losses in the course of fulfilling the concession agreement.
Restrictions on the discount rate R (cost of capital in the market)	creates an automatic advantage of doing business over placing capital in order to obtain passive income.
Restrictions on the rate of return of the investment project	protects the investor’s profit in the event of an economic crisis and does not allow the price of the concession agreement to exceed the profitability of the investment project.
Determination of the net present value of the investment project minus the cost of reconstruction, restoration, etc.	reduces, on the one hand, the costs of the concessionaire, at the same time allows the authorities to control the cost of performing these works and prevent violations of the historical and architectural ensemble of the city and destroy the uniqueness of the tourist site.
IRR Limitations	the internal rate of return reduces the investor’s risk of incurring losses in the course of fulfilling the concession agreement.

- the high cost of not only renting tourist facilities, but also their restoration and design compared to the construction of a similar object built independently in the medieval style.
- lack of engineering communications (sewerage, water supply, gasification, electrification, Internetconnection), difficulties with establishing communications in historical monuments.

In fact, we have a situation where it is easier for a restaurateur to build a restaurant and give it an exterior design in the appropriate architectural style than to deal with numerous checks, architectural supervision, control by various state institutions. On the other hand, there are unacceptable problems similar to the situation with the Gonchar Tower (1583) and the adjacent synagogue (19th century), in which the Stara Fortetsia restaurant operates, where modern repairs have been carried out instead of authentic decoration.

It is obvious that despite the existence of legislative prerequisites for the conclusion of concession agreements in the tourism sector, the investment attractiveness of such facilities remains low.

We will calculate the cost of the concession agreement for one of the facilities that is in disrepair and requires significant budgetary investments. As an example, the object of the concession agreement is the Kushnir Tower. This object is presented among the investment proposals on the website of the Kamianets-Podilskyi city territorial community [39]. The monument is provided with a complex of buildings: “Furrier Tower”; “Wind Gate”; “North Gate”, the total area of the buildings is 433.8 sq.m., its detailed description and initial data to confirm the reliability of the calculations are given in the presentation materials [38]. The facility is in municipal ownership, which simplifies the procedure for transferring it to a concession.

An option for an investment project, taking into account the location, area and movement of tourist flows, can be a restaurant made in a medieval style with a suitable kitchen. Let's take as a basis the typical indicators of the development of the restaurant business in Ukraine, adjusted for the volume of the tourist flow of the National Historical and Architectural Reserve in Kamianets-Podilskyi in 2019. As a result, we will obtain the following indicators of the investment project.

Table 3. Output data for solving the problem of optimization of concession payments.

Output parameters	Parameter value
Object area, sq.m.	433.8
The cost of reconstruction and restoration (according to the approved amount of budget expenditures), UAH	3393632
Initial investment, UAH	8393632
Total discounted cash flow for 5 years), UAH	5,000,000
Profitability index (PI);	11822175.96
Net present value (NPV) (excluding reconstruction costs), UAH	(1746724.89 + 3051047.84 + 2664670.61 + 2327223.24 + 2032509.38)
Discount rate, %	2.36
Concession payment accrual base, UAH → max	6,822,175.96
IRR	14.5
Wk is the market value of a long-term lease of a commercial facility similar in area.	3428543.96

The mathematical model of the concession payment optimization problem will be as follows:

$$Z = (6,822,175.96 - 3393632) \times x_i \rightarrow \max$$

$$12,43\% \geq x_i \leq 14,5\%$$

$$x_i \geq 1\% \times Vb; (6,822,175.96 - 3393632) \times x_i \leq 1558800$$

where x_i is the concession payment rate.

The obtained results of the optimization model calculated by the simplex method are presented in table 4.

The proposed model will avoid a situation that has already been repeated twice in the city, when the Gate Tower collapsed under the weight of wet snow and due to an emergency condition, and due to improper restoration work, the New West Tower was destroyed, which, incidentally, proves the inefficiency of spending budget funds.

And taking into account the interests of the investor through the introduction into the optimization model of such indicators as the net present value of the investment project; the cost of reconstruction costs; the discount rate in the market; the market value of a long-term lease of a commercial object similar in area; the internal rate of return; the cost of capital, will not only reduce the investor's risk, but also guarantee the profitability of the project.

This, in turn, will avoid a repetition of the situation that occurred in 2013 in the Lviv region, when the experiment with the transfer of two castles (Tartakiv and Stare Selo) to the concession failed and none of the concessionaires began even emergency work. Kamianets-Podilskyi also has enough examples of violation of the authenticity of historical and architectural buildings, which can be observed in the results of repair and restoration work on Dovha Street and insulation of

Table 4. Budgetary and tax effect from the implementation of the optimization model for determining concession payments [40, 41].

Indicator	Value
x_i is the concession payment rate	0,476
The cost of the concession payment per 1 sq. m.	62.79
The cost of fulfilling the terms of the concession agreement for the concessionaire, per 1 sq. m, UAH	193.42
Annual cost of concession, UAH	326269.1
Budget effect	
The amount of revenues to the city budget from the delivery of the object to concession, UAH	1631345
Reduction of expenditures of the State Budget, UAH	3393632
Total budget effect, UAH	5024977
Tax effect	
Projected amount of tax liabilities:	
Value added tax, UAH	3 600 000
Profit tax	1,080,000
Single social contribution	2376000
Personal income tax	1944000
Social effect	
For residents: improving the historical and architectural ensemble of the city, reducing the risk of failure of the object, preserving historical and cultural monuments.	
For tourists: creation of tourist infrastructure facilities, increasing the tourist attractiveness of catering establishments.	

the facade of the ancient building of the Church of Peter and Paul with foam plastic. Another potential concession object may be the Tower on the ford (Art. 16), for the restoration of its roof, the Ministry of Culture and Information Policy of Ukraine allocated funds in the amount of UAH 1,232,000 in 2020 [42].

5. Conclusions

In the context of a shortage of budget funds for the maintenance and restoration of tourist infrastructure, in particular large-scale historical and architectural monuments, such as castles, fortresses, an alternative to a radical institutional shift is such a form of PPP as a concession that allows attracting private sector assets, but keeping economic objects in state ownership. For the tourism sector, which is characterized by both significant funding needs and a large number of facilities, this is most relevant. The concession regime eliminates the investment deficit and, based on positive foreign experience, will increase the fiscal return of attracting architectural monuments to active entrepreneurial activity.

The analysis of the search for alternative options for budgetary and tax incentives for investment attractiveness of historical and architectural objects is their transfer to concession. The most optimal form of the concession agreement for tourist facilities is determined by the ROT – “Rehabilitate – Operate – Transfer”. However, the current methods of calculating

concession payments allow possible neglect of the interests of the state or the investor. The application of the optimization model for determining concession payments to strengthen the budget and tax incentives for investment attractiveness of historical and architectural objects is proposed. Approbation of the optimization model at the historical and architectural site of Kamianets-Podilskyi showed budgetary and tax effects of UAH 5.025 million and UAH 8.028 million, respectively, and a social effect, which confirms the need for its use.

Along with this, further research and testing are needed to improve the legal regulation of the concession agreement and the mechanism for its implementation in the area under study, to guarantee the fulfillment of financial obligations by the investor and to expand the instruments of state participation in public-private partnerships in order to stimulate the investment attractiveness of the tourism industry.

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