



PREREQUISITES OF GROWTH OF INVESTMENT AND SOCIAL ATTRACTIVENESS OF THE REGIONS OF RUSSIA WITHIN THE FRAMEWORK OF IMPLEMENTATION OF THE PUBLIC-PRIVATE PARTNERSHIP PROJECTS

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ABSTRACT

The global experience shows that public-private partnership (PPP) gives the high results in such fields as education, public health service, power, municipal services, etc. At the same time in Russia, there is a lack of projects in the social sphere in comparison with Europe where the PPP is properly developed in this sphere. The development of the mechanisms of the PPP project management strengthens the interaction between the state and business and attracts business for execution of the state tasks.

Keyword head: PPP, public partner, private partner, social sphere.

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1. INTRODUCTION

The modern economic crisis intensified the structural weaknesses of the Russian economy that led to the reduction of costs for innovations and development. And providing of the sustainable growth of economy requires the sharp increase in the level of innovative activity. Thus, the state policy shall provide the efficient support of the innovative activity and stimulate the private business for investments into the innovative processes [1-3]. One of the methods of the attraction of the private business into the innovative sphere and sharing of risks by the state with the investor is public-private partnership (PPP). Over the past few years, this term has been used more often.

In Russia, the urgency of public-private partnership (PPP) in the social sphere is provided by the insufficient state financing, low quality of services and maintenance, unsatisfactory state of

the social infrastructure facilities and, on the whole, the low economic efficiency of the activity of institutions. For a long time the social sphere in the Russian Federation was an object of the direct state control, and during this period a lot of problems were accumulated in the sector, therefore, the necessity to attract the business potential is felt especially critical [4]. The situation is worsening by the modern crisis conditions and unstable geopolitical situation that the Russian Federation and its regions faced [5]. As a result, the slowing of the rates of economic growth and a sharp reduction of investment activity.

On one side, due to the sharp reduction of volumes of the state and private financing, the implementation of many infrastructure projects has been suspended. Currently, business is not interested to participate in the infrastructure projects on arm's length terms. At the same time, the needs of the society in these types of services are growing significantly, the requirements of the population to their quality and the level of maintenance are increasing. On the other side, the state authorities have an understanding that solution of the significant number of social problems, such as renewal and reconstruction of the infrastructure facilities, modernization of the housing and utility infrastructure, development of road network, is not possible exclusively at the expense of the funds of regional and municipal budgets [6]. Besides, the practice shows that the management of social infrastructure facilities in some cases is more efficient if it is performed by entrepreneurs.

Our country like the whole world, in general, is in the way to overcome the global crisis and the country has to find the sources of the additional financing. In such situation, the conclusion of agreements on mutually beneficial conditions between the state and private business has become highly relevant as such “alliances” contribute to the development of the socially important regional projects.

The PPP mechanisms can keep the rate of economic growth despite the phase of growth, development and “adjustment” of the tools of public-private partnership is in progress now in Russia. The efficiency of this partnership is not only the possibility of co-financing, i.e. the use of the joint funds but also the use of unique opportunities for every participant of the partnership and as a result of the minimization of the overall risks during the project implementation [7].

2. MATERIALS AND METHODS

Russia has accumulated the certain experience of public-private partnership in the social sphere. According to the data of the PPP Centre in the Russian Federation as of 1.01.2017 more than 1300 projects that were decided to be implemented were registered in the country. 873 projects passed the stage of commercial closure in 2017. One hundred and seventy-two of these PPP projects are the social infrastructure projects, 626 are the communal infrastructure projects, 47 are the transport infrastructure projects, 28 are the energy infrastructure projects.

The PPP projects are implemented in the fields where the investments of funds presuppose the high risk and long terms of payback but at the same time, it is necessary from the point of view of the social and economic development (infrastructure, housing and utility infrastructure, construction). In the sphere of scientific and technical innovations, the main objective of the PPP programs is the development of the national innovative system.

The mechanisms of public-private partnership in the innovative sphere for modernization of the Russian economy are considered today as the efficient form of cooperation of the state and private business.

The public-private partnership in the innovative sphere is a long-term institutional and organizational alliance between the state and business for implementation of the important social projects and programs in the industry and in scientific researches [8]. The efficiency of such alliance is provided not only by the direct addition of the financial resources on terms of co-

financing but also by the complete use of synergism of capabilities of every participant of the partnership and the aggregate risk mitigation.

The joint activity of the PPP in the scientific and technical and innovative activity presupposes the active involving of all PPP participants into the process of decision-making, general management and aggregation of resources directed to the implementation of the most important projects of the national standing. The aggregation of resources presupposes the aggregation of financial assets attracted from the budgetary sources as well as from the non-budgetary sources (co-financing of the projects), equipment, labour force, intangible assets (intellectual property) for the creation of the united technologies, their development and efficient commercialization [9]. The activity of the partnership is performed on the base of the voluntary acceptance and execution of standards, technical regulations and rules by the participants of the partnership, providing the organization of work management and quality of innovative products. The most important principle of the PPP projects is the principle of guarantee of investment repayment and the required level of returns on investment for the private partner and the state.

The projects that correspond to the following features became the best practices of implementation of the PPP projects:

- project implementation using one of the PPP forms;
- project implementation in the following sectors of the social sphere: public health service, education, social service of the population, physical culture and sport, culture and cultural inheritance;
 - passing of the stage of commercial closure by the project (signing of the document certifying the legal relationship between the parties of the project);
 - measured social and economic effect of the project;
 - efficient distribution of rights and obligations of the parties and also the existing risks within the project;
 - possibility of copying/scaling of implementation of the PPP project in the other entities of the Russian Federation.

The cost of financial resources is significantly higher for the private sector than for the public one. The private sector invests a high profit into the projects. However, the advantages of the use of the PPP can overbalance the additional costs for financing related to it. In particular, the use of the managerial abilities and experience of the private sector and also its responsibility for the arising risks allow the PPP projects reaching a better managerial execution and the higher efficiency (for example, the costs fall within the budget and the execution does not delay the approved schedule) [10].

The most important conditions of participation in the PPP projects for business are the exclusion of possible risks from the side of the authority and guarantees of saving the assets available.

Therefore, the private capital is interested in the predictability of the actions of the authorities, legislative and legal protection of property rights. The facts of subjective, prejudicial treatment of the bureaucratic management of the territories and central authorities to the business society have a negative impact on the entrepreneurial activity and lead to the increase of the investment risks.

The representatives of the public and private sectors of the economy can be the partners at all stages of the innovative process, including the stage of decision-making regarding the researches, preparation of documentation for participation in the contest, financing of researches and developments, execution of researches, project management and commercialization of its results. However, currently the public sector represented by the state research institutions, acts more

actively, as a rule, at the stage of research and developments and the private sectors acts more actively at the stages of project management. At the same time the regulating activity of the state is performed in the three main directions:

Development of the strategy and principles of interaction of business and society and also the public authority;

– Formation of an institutional sphere for development and implementation of the partner projects;

– Organization of partnership management, development of its form, methods and mechanisms.

Thus, the main advantages of the use of the PPP mechanisms in the innovative sphere are in the following provisions:

– mobilization of the additional private financial resources for investments in the strategically important projects and overcoming of the limited capabilities of the public sector to finance the projects in the field of the innovative activity and infrastructure independently that helps to implement the projects that cannot be otherwise implemented;

– provision of the higher indicators of efficiency of activity in comparison when such activity is performed by the public partner without attracting the private partner due to the use of the efficient business technologies together with the state control, and stimulation of the entrepreneurial activity;

– formation of the stimuli for development of the economy and a base for the long-term contract relations taking into account the duration of relations (from 5 to 99 years) and a life cycle of the projects.

The projects being the certain examples of implementation of the strategy of the attraction of the private investments into the social infrastructure facilities and providing the improvement of the quality of the services rendered to the population on the territory of the public-law entities were determined by the best practice in the present research.

The projects shown in Table 1 were selected as an example of the best practice for demonstration and analysis:

Table 1 The best PPP projects in the social sphere

BRANCH	PROJECT
Public health service	Centre of extracorporeal haemocorrection and transclinical physiology of Samara Region
	Network of centers of general practitioners in the municipal entities of Ulyanovsk Region
Education	Construction of pre-school and general educational institutions in Yamalo-Nenets Autonomous District
Social service of population	Construction and operation of the municipal sauna in Novosibirsk
Physical culture and sport	Construction of ice palace of sports in Ulyanovsk
Culture and Cultural inheritance	Reconstruction and improvement of a park in Syzran
	Reconstruction and restoration of cultural heritage object – “Textile factory” in Kaluga Region

Currently, the list of the best practices does not include the projects of formation of the assisted living facilities (geriatric centers) as the issues of application of the PPP mechanisms for implementation of such projects are under discussion now in the entities of the Russian Federation. Also, it should be mentioned that the selected projects within the frameworks of which the rendering of the finite social service to the population is provided, are performed by

the private operator and therefore, this list does not include some implemented PPP projects in the sector of public health service [11-12].

When implementing the PPP projects in the sector of public health service the formation of the operating activity model of the future concessionary/private partner will play a leading role. It is important to understand what capacity of services will be rendered according to the rates of CMI, VMI or will be completely on a paid basis. Often in the PPP projects in public health services the CMI rate does not cover all costs for formation and further operation of the public health facility and in this regard some regions used to compensate the costs of the investors by providing the capital grant at the stage of construction/ reconstruction of the public health facility or providing a guarantee of facility traffic (number of patients multiplied by rate) [13].

For the implementation of the best PPP practices in the social sphere in the public legal education the managerial team shall be formed that will control the progress of its implementation at every stage of the life cycle of the project and take measures directed on:

- Provision of the high quality of development and constant verification of the parameters and conditions of the project implementation;
- Increase of the degree of manageability and controlability of the results of the project implementation;
- Decrease and the existing and potential administrative or other barriers preventing the successful implementation of the project;
- Provision of the maximal information transparency of the whole process of project management to attract the maximally wide range of participants [14-15].

3. RESULTS

The attention should be paid to the fact that the implementation of the infrastructure project within the framework of the direct budget participation (“government order”) mainly presupposes the three stages isolated from the point of view of the contract relations and as a result, of the budgeting:

- Stage 1: payment of the required funds to the budget and conclusion of the contract for survey and design works;
- Stage 2: payment of the required funds to the budget and conclusion of the contract for construction works (possibly including fitting with all necessary equipment);
- Stage 3: transfer of the facility put into operation to the commercialization or operating management to the budgetary institution or the unitary enterprise with the allocation of the corresponding funds in the budget to the state task or the other form of financing of the activity of the facility operation.

At every of the mentioned stages, the budget holder can stop or suspend the implementation of the project taking into account the budgetary situation or other circumstances.

4. CONCLUSION

Public-private partnership is, first of all, long-term relations between the state and the private sector. The comfort conditions shall be created to dispel all possible worries of investors and the reliable guarantees shall be provided to all counterparts. Taking into account the above mentioned to create the conditions of the development of the PPP institution for the innovation investments in Russia it is necessary:

- To provide more flexibility in the determination of the criteria of selection and implementation of the PPP projects, their spheres and directions;

- To develop a standard matrix of implementation of the PPP projects for the different categories of the PPP projects, including the format of the projects in the innovation sphere;
- To reduce the price criteria when implementing the high tech projects;
- To guarantee the non-discriminated access to the PPP projects in the innovation sphere;
- To adapt the concession legislation for the scientific and technical and innovation spheres;
- To develop the investment tools for the attraction of finances of the infrastructure funds, national pension funds and insurance companies, individuals for investments into the PPP projects with characteristics compared when investing into the state-owned companies to achieve financing in roubles for a term from 10 to 30 years and more;
- to develop the mechanism of risk mitigation for these projects at the federal, regional and municipal levels that will provide sufficient support for the potential investors and strengthen the predictability of the market conditions;
- to create a legal framework for implementation of the PPP projects taking into account the specific character of the international regulation of the PPP projects to reduce the potential conflict of interests and decrease of the process of preparation and implementation of the investment projects [16-17].

Public-private partnership in the innovation sphere is not a magic tool that can change drastically the level of investments by itself, and also the quantity and quality of the innovative projects in Russia. However, the global economic slowdown gives the unique opportunity to introduce the new mechanisms and tools for implementation of the projects with participation of the private capital at the federal, regional and municipal levels. The number of investors grew who were searching for the alternative possibilities for investments due to the macroeconomic uncertainty, drop of stock market indexes and reduction of creditability of the financial institutions. Public-private partnership is a tool that will allow combining the means of the state and private business and creating the prerequisites for the economic growth in the innovation sector that has a strategic value for the economy of the Russian Federation [18].

The formation and development of the PPP projects is a real prerequisite of the growth of investment and social attractiveness of the Russian regions, strengthening of their competitiveness, formation of the positive image of the country and certain regions. In this regard, much attention shall be paid to the availability of the required professional competencies of the public and municipal servants in the field of project management, formation and development of the regional teams capable to manage the projects on the base of the modern standards and technologies. The significant attention shall be paid to the organizational structure of the project activity, its efficient interaction with the existing management system.

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