

# Formation of the Mechanism of Public-Private Partnership as a Factor of Innovative Development of the Regional Economy

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**Abstract**—The relevance of the problem stated in the article is due to the fact that in the conditions of innovative development of the regional economy, the problems of interaction between the state and business are constantly in the spotlight. The interaction of state and business is considered as a certain structure that can initiate new ideas and ensure their commercialization. Especially the formation of the mechanism of public-private partnership is proposed to be used as a factor of innovative development of the region's economy. According to studies carried out, the formation mechanism of public-private partnerships and the transformation of business structures of the Russian Federation in the conditions of innovative development provides an influx of large private investments into the economy, as well as an increase in the quality of goods and services provided to consumers, which favorably affects economic development and increase of business competitiveness. It is also determined that the use of the mechanism of public-private partnership will make it possible to change the target landmark of the decision-making process, which is associated with increased activation of innovative activities and the transition from traditional to more consistent and effective management decisions.

**Keywords**—*mechanism, public-private partnership, innovation, business, region, economy.*

## I. INTRODUCTION

The most important element of the mechanism of implementation of the strategy of social and economic development of the region is the economic policy of public authorities, the foundation of which is the system strategic planning of economic development of spheres of activity, territories, industries, as well as the adoption of operational and tactical management decisions. The formation of the mechanism of public-private partnership (PPP) and the formation of new elements of business structures of the Russian Federation in the conditions of innovative development guarantees the attraction of large private investments in the economy, improving the quality of goods and services, which will positively affect the competitiveness of Russian business. The mechanism of public-private partnership in modern economic conditions is one of the fundamental and effective tools to achieve strategic goals.

## II. METHODOLOGY

In this study the authors used methods of theoretical and applied nature: analysis, generalization, method of scientific classification, method of retrospective analysis, method of

system approach. Currently, there are several aspects of considering the essence of public-private partnership. For example, Spiridonov A.A. believes that public-private partnership is a constructive interaction between government and business in politics, economy, culture, academic science [1]. Zhityaeva E.S., Guseva M.S. understand by public-private partnership the interaction of business and government in the implementation of social projects of national importance [1]. Deryabina M.A. explores public-private partnerships through an organizational and state union of government, private business for the implementation of priority projects - from the development of strategically important sectors of the economy to the provision of public services at the country, district, territory level [2].

The World Bank proposes to consider public-private partnership as a medium- or long-term interaction between the two parties, in which certain areas of responsibility are transferred from the public sector to the private party [3]. The International Monetary Fund classifies public-private partnerships as agreements on the basis of which the private party forms infrastructure facilities, as well as provides services initiated by the state [4].

In our opinion, the presence of quite diverse points of view for the definition of "public-private partnership" is connected with the fact that in Russia the methodology, theory and practice of PPP are at the stage of formation. As a result of the analysis of aspects of the definition of the concept of "public-private partnership", we can formulate a definition in which public-private partnership is considered from the point of view of legally formalized and legalized relations of business entities and government bodies regarding public facilities, which are characterized by the distribution of risks, taking into account the interests of two parties, as well as coordination of efforts of the state and business to increase the effectiveness of projects of social and state priority significance. Therefore, the signs of the implementation of public-private partnership projects include the following: terms of partnership agreements; clear distribution of risks, degree of responsibility between public and private partners; competitive environment; forms of financing of public-private partnership projects, etc.

## III. RESULTS

The complex of existing and new forms of partnership in modern economic conditions is advisable to present based on the typology of modeling. Depending on the specifics of

certain tasks arising in the framework of public-private partnership, PPP models may have the following taxonomy: organizational modeling (involvement of third parties, assignment of certain functions and contractual obligations, assessment of the possibility of practical implementation of objects transfer under management of third parties; concession); financing (preliminary and integrated project financing, commercial hiring, rent, leasing); cooperation (configuration and ways of integration of the efforts of individual partners coordinating a number of stages of the process of formation of a new use value, acting as a public good) [5].

The structural elements of public-private partnership in innovative business in Russia, as well as the links between them, are a mechanism that in a planned economy has replaced the state technical policy, and is aimed at formation of links between science and business. Research of problems of formation of the mechanism of public-private partnership is considered as the factor of innovative development of economy of the region.

Public-private partnership today is a rather complex category associated with the disclosure of the role of the state, the features and technologies of its interaction with business, the use of this mechanism to attract investment. The public-private partnership represents joint financing of global projects, financial participation of the state in projects on accumulation of private investments for implementation of programs and investment projects which have strategic value, and act as the important tool in system of innovative mechanisms of development of economy both at federal, and at regional level. Foreign experience of PPP research shows that public-private partnership is a unique mechanism for stimulating cooperation in industries based on innovations [6].

In modern understanding public-private partnership is considered as interaction of the state and private business at various levels (strategic, institutional, organizational) for realization of federal, national, international global innovative processes in various spheres of activity: from the development of priority branches of industry, scientific-research and development works, to commercialization.

Considering the point of view of a number of researchers, the strategic goals and priorities of the state in the development of public-private partnership include the following:

- preservation of state security, protection of individual rights and the rights of the entrepreneur, acting as a partner for the state;
- transition to a new level of competitiveness based on the economy of innovation and effective management;
- raising the standard of living of the population, modernization of the education and culture system, raising the level of morality of the population [7, 8].

Given that the success of public-private partnership projects is very important for practitioners, in recent years, many studies have examined the appropriate measures necessary to achieve the effectiveness of PPP projects, i.e., critical success factors were identified [9].

The areas of application of public-private partnerships in developed countries are as follows: housing and communal services, education, financial sector, medicine, transport, ecology, real estate, telecommunications, public order, security [10].

Currently, the government of the Russian Federation as priority areas for the development of public-private partnership defines the following: health care and social services; housing and communal services; development of industrial and transport infrastructure; financing of scientific researches providing prospects of commercialization; development of innovative infrastructure. It should be noted that recently the main stakeholder groups in public-private partnerships are the public (i.e. government agencies, institutions and metropolitan, district, municipal assemblies) and the private sector (financiers, contractors, suppliers and consultants).

The concept of "mechanism" by the founders of economic theory is borrowed from mechanics and is a body-oriented system to transform the movement of one and (or) several bodies into movements necessary for other solids. As a rule, in any mechanism there is an input link, which receives movement from the engine, and an output link connecting the working organ [11]. In the literature on economics and management (theoretical and applied), the concept of "mechanism" is often used in phrases: "economic mechanism", "market mechanism", "production mechanism", "economic mechanism", "organizational mechanism", "organizational and economic mechanism" [12]. In the literature, there is no clear distinction between the spheres of application of these definitions, much depends on the commitment of the authors to a particular scientific school. As a rule, the mechanism of public-private partnership is considered through the system forming a certain order of interaction of subjects concerning object of public-private partnership in the conditions of the developed institutional environment. Most often, when implementing public-private partnership projects, various mechanisms of interaction between private business enterprises and state structures are used. As the main elements of the mechanism of public-private partnership the following can be identified: subject; object; forms; models; form of financing; tools (institutional, organizational, financial, etc.).

The mechanisms of public-private partnership are differentiated depending on the optimal share of property rights, the volume of investment obligations for specific parties, the rules of risk distribution between the parties (state and business), the degree of responsibility of the organization and coordination of various types of work. In modern economic management conditions, a certain classification of public-private partnership mechanisms has been formed (differences in the scope of rights and obligations): «BOT», «BOOT», «BTO», «BOO», «BOMT», «DBOOT» [13].

For example, the mechanism "BOT" in the Russian Federation is used mainly for concessions. The standard concession scheme of the "Build, operate, transfer" ("BOT") model is shown in figure 1.

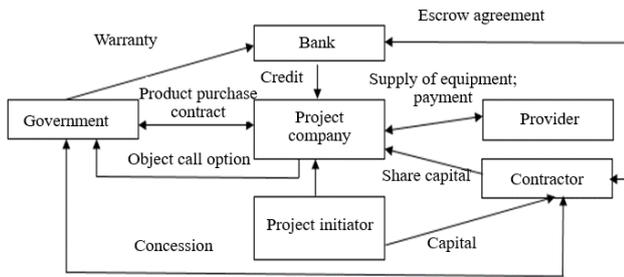


Fig. 1. Typical scheme of "BOT" model concession.

The interaction of the state and business in the development of the region's economy is a mechanism of state scientific and technical policy and contributes to the formation of relations between the state, business and science. The response to technological challenges and innovations is formed on the basis of the experience of Russian theoretical and applied research, large-scale and stable ties with world science, awareness of the importance of technological development of the Russian economy. The analysis of the PPP mechanism showed that the concession, which acts as an instrument of public and private partnership in financing innovations, determines one of the priority directions of economic development in Russia, as it provides an external inflow of financial resources and is focused on minimizing the additional burden on the budget. It should be emphasized that quite a large number of authors studying the issues of public-private partnership, highlight the weak protection of the rights of the concessionaire in the legal system of the Russian Federation [14].

A modification of the typical PPP scheme is "ROT", which provides for the reconstruction of an existing facility [15, 16]. Currently available quite a large number of models of public-private partnership differ from each other in the degree of involvement of the private sector in the project and the level of state control [17]. Therefore, due to the presence of a sufficiently large number of models of interaction between the state and business, there is a key question about which of the presented mechanisms of interaction will relate to public-private partnership.

Figure 2 presents models and forms of interaction between the state and business [18,19].

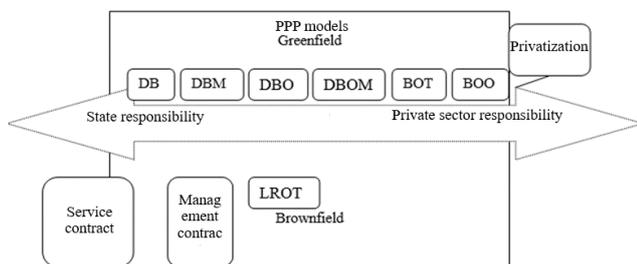


Fig. 2. Models and forms of interaction between the state and business.

It can be noted that due to the presence of a sufficiently large variety of models of interaction between the state and business, it is necessary to address the issue of determining the above mechanisms and forming an attitude to public-private partnership. The PPP mechanism itself will allow to provide structuring and unambiguity in the description of the requirements for the project results, the execution of contracts, which are provided with legal protection with effective

incentives and an understandable tender procedure. The use of the mechanism of public-private partnership will ensure the transformation of the decision-making process on financing the activation of innovative processes from traditional to more consistent and effective, which is presented in figure 3 [20,21].

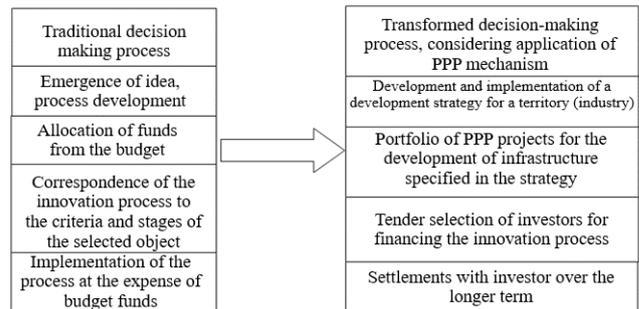


Fig. 3. Transformation of decision-making process on organization and financing of innovation process considering PPP mechanism

IV. CONCLUSION

Therefore, in the framework of PPP, the improvement of business activities provides the formation of professional experience, financial resources, effective management, mobility in decision-making in the conditions of innovative development of the economy. On the other hand, the state acts as a guarantor of the rights of the owner, provides the opportunity to use guarantees, tax and other benefits, as well as material and financial resources. In addition, with the development of public-private partnership, state regulation consists in shifting the emphasis from certain problems of construction and operation of facilities to administrative and coordinating functions of monitoring, regulation and compliance with public interests.

For further development of PPP mechanisms, it is necessary to change the procedure for the formation, implementation and control of target programs, namely, the legal and regulatory consolidation of business participation in joint projects with the state within the framework of target programs. This mechanism should be provided for also in the formation of state programs. Russia has all the conditions and opportunities for innovative development of the regional economy, but there is a distinction between the interests of the state and business, which is determined in a differentiated interpretation of the directions of development of innovative infrastructure. In addition, it is necessary to support the development of innovative processes from initiation to completion, and for the implementation of each stage the party more competent and effective in a particular area should be responsible.

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