

Assessment of Factors Influencing the Development of Public-Private Partnership Mechanisms in the Rostov Region

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Abstract— The article proposes to assess the investment climate of the region and, accordingly, the opportunities for the development of public-private partnership (PPP) on the basis of an expanded methodology that determines the rating of regions. This methodology determines the perspectives of PPP based on five factors, in contrast to the three-factor methodology of the PPP Center. This makes it possible to more accurately assess the readiness of the regions for such a partnership and to better determine the prospects for its development.

Keywords— *public-private partnership (PPP), the PPP mechanism, factors of investment attractiveness for PPP projects in the Rostov region, investment climate, investment attractiveness of the region.*

1. INTRODUCTION

The mechanism of the public-private partnership (PPP) is becoming more widespread in the Russian practice due to the need of large-scale investment. It is connected with the fact that the PPP allows to involve resources of the private sector in branches and spheres where the property of the state is traditionally presented effectively. Business at the same time has bigger mobility, speed of decision-making, ability to innovations, etc. The government, in turn, provides a stable legal regime and the state guarantees, uses the financial and economic mechanisms promoting compensation of expenses and receiving sufficient profit at implementation of large socially important investment projects.

The problem of interaction between Government and business in the form of public-private partnership became an object of study for quite some time. These aspects are dealt with in the works of scholars such as O.A. Andrjushkevich, A.V. Belitskaya, M.V. Vilisov, Yu.B. Vinslav, B.S. Zhiharevich, A.G. Zeldner, G. Hodge, F. Shamhalov, I. Sharinger, D.E. Butenko and other [1].

Possibilities of use of PPP in the social sphere were opened in S.P. Sazonov, V.G. Varnavsky's works. They expanded categorial definition of PPP, developed forms of interaction of business and the government in the Russian conditions [2].

Now the increasing interest in public-private partnerships is focused on its application at the regional and local levels. In this regard, this article attempts to evaluate the factors of investment attractiveness for PPP projects in the Rostov region.

Now the increasing interest in public-private partnership is focused on its application at the regional and local level. In this regard in this article an attempt to estimate factors of investment appeal for PPP projects of the Rostov region is made.

2. ESTIMATED FACTORS AND INDICATORS

Score factors willingness to implement PPP regions projects are implemented on the basis of modalities proposed by O.A. Petrova [3, p. 107-108]. For a more objective assessment of the readiness of the regions it is offered to use the not three, as recommended by the Russian Centre for the development of public-private partnerships, and five factors, which positive values are considered as the conditions investment attractiveness of the region [3, p. 103-106]. Definition of readiness of regions to attract private investments into projects of public-private partnership is calculated as a percentage by using the following formula:

$$R = 0.3 * F1 + F2 + 0.2 * 0.2 * F3 * F4 + 0.1 + 0.1 * F5 \quad (1)$$

where F1 - development of the institutional environment in the field of public-private partnership in the region;

F2 - the place taken by the subject of the Russian Federation on the main socio-economic indexes;

F3 - investment attractiveness of the region for potential investors of public-private partnership projects;

F4 - human potential of the territory;

F5 - the experience of public-private partnership projects in the region.

The advantage of of this technique consists that it provides assessment of the factors influencing development of mechanisms of public-private partnership in territorial subjects of the Russian Federation by comparison of set of indicators on each factor by means of their ranging that allows to avoid effect of mutually repayment of "positive" and "negative" changes of values of the compared indicators and to define the importance of each of them. Also positive side of a technique can be considered use for calculations of data of open access (the official websites of the governments of regions, representatives for economic development and work with investors, electronic bases of federal portals of Rosstat and the Center of development of public-private partnership,

information resources of the domestic and foreign organizations which are engaged in marketing of subjects of the Russian Federation and attraction of private investments).

1. The factor of «Development of the institutional environment in the field of public-private partnership in the region».

The factor is calculated as score in a number of parameters (Yes-1, No- 0 points):

- availability in the territorial subject of the Russian Federation law on PPP, special executive body (coordination council) making the decision on projects implementation of public-private partnership;

- formedness of the regulatory framework governing the preparation, implementation and monitoring of PPP projects;

- availability of PPP development program in the region;

- use the regional budget shares to finance these projects;

- a regional investment fund.

2. The factor of «The place of the territorial subject of the Russian Federation on the main socio-economic indexes».

The place is determined on the basis of the ranking of Russian regions in order of decreasing cumulative rating points, the proposed rating agency «RIA Reyting». The situation in group leaders (1-10 place) gives 3 points, in the median Group (11-46 place) - 2 points, in the group of the outsiders (47-83 place) -1 point.

3. The factor of «Investment attractiveness of the region to potential investors of PPP-projects».

This factor shall be determined in accordance with the rating of investment attractiveness of the national rating agency. If a region of high level, he would receive 3 points, average - 2 points, moderate - 1 score.

4. The factor of «Human potential of the territory».

The level of economic activity of the population determines the status of this factor. If positive dynamics is observed in the region, assigns 3 points, if the indicator is stable - 2 points, if the decline - 1 point.

5. The factor of "Experience in implementing public-private partnership projects in the region".

This estimate experience region on preparation for and participation in the implementation of PPP projects. Is calculated as the score of the points earned for each project is a public-private partnership, on the basis of the relevant parameters:

- project level: the project of federal level is estimated at 3 points, regional - 2 points and municipal - 1 point.

- project status: the project is estimated at 3 points, 2 points is implemented and planned - 1 point.

This factor reflects the managerial experience the power of the region, which consequently reduces the risks for future projects.

3. PPP IN ROSTOV REGION

A. Development of the institutional environment in the field of PPP of the Rostov region can be determined by evaluating the regional regulatory framework governing relations between the State and business. In 2010 the Law "About Bases of Public-private Partnership" was adopted.

After adoption of the Federal Law "About Public-private Partnership in the Russian Federation" of 13.07.2015 and other normative acts that regulate the preparation and implementation of PPP projects in the Rostov region, this law was recognized as become invalid. Also regulatory base of PPP is regulated by the relevant resolutions [4].

Consulting and methodical assistance in preparation and implementation of PPP projects is assigned to Department of Investments and Entrepreneurship of the Rostov region. Also the "Regional Development Corporation" created in 2014 is given the rights and duties of the public partner in projects implementation of public-private partnership [5].

There is no special development program of PPP in the area, therefore, actions for the relevant agreements are financed within the Strategy of investment development of RO till 2030.

The institutional environment of PPP in the region was significantly updated in the last two years. Creation of coordination council and determination of the mechanism of interaction between investors and the power on PPP projects became a major step in partnership development. The region has all necessary regulatory base and the relevant institutes providing functioning of PPP projects. And all this is built organically in the state system of public-private partnership. In such conditions there is no need for the special program of PPP since its development is included as a task in the Investment strategy of the region till 2030.

Therefore, for the first three points 3 points will be awarded, for the remaining 3 - 0 points [6].

B. Rostov region on the main socio-economic indicators of the rating agency «RIA Rating» in 2016 took the 18th place (54,383 points) that corresponded to average (median) group of regions (11-46 places). For it 2 points are charged [7].

C. Investment appeal of the region in 2016 according to the rating of National Rating Agency made the average level (IC5) that corresponds to rather low level of risks on capital investments and considerable number of profitable spheres of application of the capitals. This provision corresponds to 2 points [8].

The prevailing investment climate sends specific signals to investors where to make investments. Especially significance at the same time is attached to a position of regional and local authorities concerning guarantees and to the aspiration to divide risks together with businesses. The Government of the Rostov region demonstrates the seriousness of their intentions, by continually updating the institutional environment and offering economic support.

However, between the declared support and opportunities to receive them there are certain barriers, first of all administrative, connected with bureaucratic procedures and rigid regulations for competitive selection. In this regard sometimes just the tender is impossible.

D. The human development of area reflected in dynamics of level of economic activity of the population for the period made 2014-2016: 2014 - 0,89, 2015 - 0,91, 2016 - 0,91. In general stable dynamics to which there correspond 2 points is looked through.

Level of economic activity of the region demonstrates that the area completely recovered from crisis, employment began to increase though its dynamics is not sufficient. It is connected with the fact that disproportions between demand for professions and the offer of work remain, excess migration of a manpower also keeps the low level of the salary that reduces motivation to productive work (Calculations are made by the author on the basis of data of Federal State Statistics Service) [9].

E. Experience of implementation of PPP projects in the Rostov region on the basis of the fifth factor of the used technique represents the following. Into areas during 2008-2017 it is put and is at a different completion stage of 117 projects of public-private partnership (2 regional and 115 municipal).

According to the applied methodology, projects which are implemented mainly in the form of investment and concession agreements, the Rostov region gaining 4 points for regional projects and 115 points for municipal, eventually - 119 points.

On the Investment portal of the government both the implementable, and planned PPP projects, and also objects offered for investors for potential projects are provided. In spite of the fact that the area became the participant of PPP since 2008, real activity began in 2010. And significant results of agreements became visible since 2016 [10].

In the Rostov region the certain experience of implementation of public-private partnership is accumulated. Successfully projects of municipal level generally in the form of concession and investment agreements are implemented. Certain results are achieved, but the term of implementation of PPP projects does not allow to speak about a significant contribution of partnership to development of the region yet. The infrastructure facilities offered by the authorities are often not able to provide the acceptable level of profitability as morally and are physically worn-out. Municipal authorities at the same time insist on that business bore the main burden of expenses. It increases risks and does uncertain profitability of projects.

According to the project status, in the region completely implemented still is not present, the date of performance of all obligations of investors, implementable projects - 117, the planned projects where the competition is already announced - 7. Total planned in 2018 conclude agreements 45 more [11].

Totally it is charged the 479 points.

F. Next, the rating points are determined in percentage according to the chosen method (the results are presented in Table 1).

Table 1. Rating of readiness of the Rostov region for implementation of PPP projects.

Factors value					Rating	Center PPP Rating
F1	F2	F3	F4	F5		
3	2	2	2	479	49,6	44,5

The rating score is higher than the rating Centre of PPP. Even if it does not affect the position in the ranking of regions,

this better reflects the conditions for implementation of major investment projects in the field of public-private partnership. In the Rostov region dynamically there are favorable conditions and the potential for implementation of infrastructure projects of different level [12] is increased.

The expansion factors readiness assessment partnership of Government and business to take into account not only the institutional environment status and experience implementing PPP projects, but also the status of the primary factors of production (labour and capital), as well as the level of socio-economic development of the region. The demand for large socially oriented investment occurs where there is a powerful industrial potential, where human capital is concentrated where there is the desire of the authorities to evolve towards public-private partnership.

4. CONCLUSION

A. Dynamic updating and reforming is characteristic of the institutional environment in the Rostov region.

B. Socio-economic development of Rostov region defined as moderately stable, sufficient potential testifies for accelerated development in the direction of the modernization of productive and social infrastructure.

C. The developed investment climate sends certain signals to investors where to make investments. Especially significance at the same time is attached to a position of regional and local authorities concerning guarantees and to the aspiration to divide risks together with businesses. The government of the Rostov region shows gravity of the intentions, constantly updating the institutional environment and offering economic support.

D. The level of economic activity in the region suggests that the region recovered from the crisis, employment began to increase, although its dynamics is unfair.

E. In the Rostov region some experience of implementation of public-private partnership is accumulated. Certain results are achieved, but the term of implementation of PPP projects does not allow to speak about a significant contribution of partnership to development of the region yet.

F. The Rostov region, in comparison with leading regions on implementation of PPP projects, lags behind in the field of system support of public-private partnership. There is no uniform concept of development of PPP which all information, organizational, economic and other methods of support are built consistently in.

In this regard to add reasonably available measures, having created a unified system of support of PPP projects at all stages of planning, development, competitive selection, implementation. Creation of "Single window" is necessary for investors by following the example of St. Petersburg where all information resources on the offered objects for PPP where there would be a complete organizational assistance for projects implementation would be concentrated, interaction with financial institutions, institutes of development, investment and venture funds for the purpose of financing of projects would be provided.

It is also important to rank relevance-based PPP investors projects for the region and the magnitude of capital investments. The most important projects to assign special status, extending the benefits of an economic nature. It can be redemption privileges of land intended purpose, reduced rent for the provision of land for the construction, use other measures to reduce expenses. We are talking about projects, which will provide a powerful multiplier effect in many socio-economic spheres in the region.

Thus, complex assessment of conditions and capacity of regions is necessary for activation of development of public-private partnership. The advanced technique of investment appeal allows is more complete to define readiness of regions for the purpose of identification of bottlenecks.

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