

# Use of public-private partnership tools for regional development

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**Abstract**—Public-private partnership is now a prerequisite for regional development. This is due, firstly, to difficulties in the performance by the state and regional authorities of socially significant functions, and, secondly, to the increased interest of business structures in new facilities for investment. The issue of using the tools of public-private partnership in order to ensure sustainable and balanced reproduction of the social, economic and natural potential of the regions, leading to an increase in the level and quality of life of the population, is particularly acute today. Budgetary funds do not allow the state and regional authorities to fully and in a short period solve these tasks, therefore it becomes necessary to directly attract the competences and investments of the private sector. The urgency of using public-private partnership in the development of regions is also due to the fact that in a relatively short period of time, gaps in the development of regions can be eliminated by combining the efforts, means, and risks of two economic entities - the state and business. To date, not a single state has succeeded in creating an ideal system of partnership between the state and business, which is promising for the innovative development of regions and remains a balanced interaction of two forms of governance: public and private. Analysis of the features of public-private partnership at the regional level allowed to formulate priority areas for the development of interaction between the state and business at the regional level.

**Keywords**—public-private partnership, regional economy, project management, development of territories

## I. INTRODUCTION

The subject of this study is the use of public-private partnership (Public Private Partnership, PPP) for the development of regions. The main question of the study was to explore which basic tools and forms of PPP are crucial for the development of regions. The central point of the study is the question of whether the use of public-private partnership tools ensures a sustainable and balanced reproduction of the social, economic and natural potential of the regions, leading to an increase in the level and quality of life of the population. For the private sector, new investment opportunities are opening up and, accordingly, new

sources of income, the opportunity to participate in large projects. PPP involves the use of the resource and intellectual potential of the private sector in the areas of traditional state responsibility.

Public-private partnership involves various forms of interaction between government agencies on the one hand and private business or non-profit organizations on the other. Such forms of cooperation are characterized by the fact that partners involved in cooperation based on the principle of the division of labor and risks jointly contribute to the fulfillment of state tasks. Regional development management is a specially organized system of activities that aim to ensure sustainable and balanced reproduction of the social, economic and natural potential of the region, leading to an increase in the level and quality of life of the population. The complex of actions usually includes: stimulating the development of the economy, creating new jobs, expanding opportunities for those economic activities in which the local community is interested.

World practice shows that one of the main mechanisms for expanding the resource base and mobilizing unused reserves for economic development, improving the management of state and municipal (public) property is public-private partnership (PPP). This partnership is a relatively new phenomenon in the world economy, reflecting the processes of expansion and complication of the forms of interaction between government and business. Using the PPP mechanism, it is possible to increase the efficiency of mutually beneficial cooperation between the state and the private sector, improve the quality of services provided, and accelerate the modernization of the infrastructure necessary for diversifying the economy.

## II. MATERIALS AND METHODS

This is an attempt to explore the use of PPPs for regional development. The study is based on a general scientific methodology involving the use of economic and statistical methods of analysis and a systematic approach. The system approach is based on the

consideration of an object as a system: an integral complex of interrelated elements. Its focus may be theoretical or practical: in the theoretical aspect, it primarily serves to obtain scientific knowledge that enriches and expands the range of managerial decisions. It can also contribute to the creation of a reserve of solutions, which makes it possible to find the best option in a particular situation for a particular region. In practical terms, system analysis serves, for example, as a tool for managing territories or a source for building models and researching resource capabilities.

To achieve these goals it is necessary to perform the following tasks:

- a) improvement of legislation in the field of PPP;
- b) ensuring the development of measures for the effective planning and management of the processes of preparation and implementation of projects on the basis of PPP;
- c) the establishment of criteria for evaluating the effectiveness of project implementation through the quality of services provided to the public;
- d) providing training and advanced training for specialists in the field of PPP.

According to international practice, the development of PPP in a particular country involves three stages: preparation, implementation and improvement. At the preparatory stage, states study international experience, analyze existing legislation, determine the general state policy in the field of PPP and sometimes begin to implement pilot projects. The stage of implementation of PPP involves a number of activities, such as: the formation of legislation, the development of methodological instructions and guidelines, the creation of a specialized PPP body, the expansion of the scope of PPP, etc.

### III. DISCUSSION

Weak infrastructure, low investment activity and budget deficit are the key words that reflect the current picture of the discussion on regional development at the state level. In the search for new ways and solutions, in recent years PPP has become increasingly in the center of state interests [1].

The issues of the development of PPP are examined in the works of such foreign scientists as Gerrard M.V., Linder S., Hodge D., Miller D.V., Pazdnikov M., Bazhenov A., Snelson P., Loguntsova I., Willisov M. and etc. In Russia, the possibilities of public-private partnerships have been studied and under-utilized, the practice of their use allows us to single out just a few examples of the use of partnership forms acceptable under existing legislation. In this regard, research on the development of public-private partnerships becomes relevant. These are such issues as the use of partnership mechanisms, the study of organizational and legal and economic conditions and mechanisms that stimulate the development of partnership practices; development of promising innovative forms and partnership mechanisms; improving the regulatory and

regulatory framework governing the use of public-private partnerships, ensuring the development of measures for effective planning and management of the processes of preparation and implementation of projects based on PPPs, the establishment of criteria for evaluating the effectiveness of project implementation through the quality of public services; providing training and professional development of specialists in the field of PPP.

Article 3 of the [2] "On public-private partnership (hereinafter - PPP), municipal-private partnership in the Russian Federation and the amendment of certain legislative acts of the Russian Federation" (hereinafter - the Law on PPP) defines the public-private partnership as legally defined for a certain period of time and based on pooling of resources, risk sharing, cooperation of a public partner, on the one hand, and a private partner, on the other hand, which is carried out on the basis of public-private partnership agreements concluded in accordance with this Law in order to attract private investment in the economy, to ensure public authorities and bodies of local self-government availability of goods, works and services and improve their quality.

The World Bank defines PPPs as contractual relations, which are in the form of an agreement between the state and a private company for the production of something or the provision of any services [3].

According to N. V. Pristavkina, a public-private partnership is an institution that combines the necessary tangible and intangible resources of the private and public sectors within a predominantly long-term contract to meet social needs while effectively distributing risks [4].

Vereshchagin S.V. and V.P. Chichkanov believes that "a public-private partnership is an institutional and organizational alliance between government and business in order to implement socially significant projects and programs in a wide range of industries and R & D, up to the service sector" [5]. A single opinion on how to define PPP is absent today, it is defined both as a control mechanism and as a brand, and as a language game [6, 7].

Proponents praise PPPs as the best way out of the financial crisis in the area of public spending. For some, PPP means progressiveness, signals willingness to cooperate and, at the same time, attracts a lack of commitment from a legal point of view. Critics of PPP, on the contrary, reproach this form of interaction with insufficient transparency, hiding public debt through shadow budgets, and also hidden incremental costs and higher time costs. Some consider PPPs to be nothing more than a buzzword that does not have clear conceptual contours and is not suitable for solving problems of economic development in general and regions in particular.

From our point of view, a public-private partnership is a contractual agreement between one or more government entities and a private company that wants to invest capital in projects. We believe that the use of

public-private partnership tools for the implementation of regional projects will eliminate the existing gaps in regional development by combining the efforts, means, risks of two economic entities - the state and business.

#### IV. RESULTS

Regional policy should be based on identifying and disclosing the advantages of the regions, promoting the formation of agglomerations that demonstrate positive dynamics of economic growth [8]. Improving the quality of life of the population as a goal of socio-economic development of regions, contains three main components:

- increasing incomes, improving the health of the population and raising the level of their education;
- creation of conditions for the formation of social, economic and institutional systems, focused on respect for human dignity;
- increase the degree of economic freedom of citizens.

The management of regional development, in essence, is the development of a unified scheme for the development of territories of constituent entities of the Russian Federation using a mechanism for enhancing business development and state regulation of the process of structuring space. One of the most important tools of these mechanisms is a public-private partnership. A public-private partnership is based on the idea that the state and regional authorities offer private businesses to participate in the implementation of socially significant public projects [9].

The most important signs of regional development, from our point of view, are: sustainability, i.e. preservation of the conditions of reproduction of the potential of the territory for a long time; balance, i.e. compliance for each regional system of certain proportions of the main elements of the territorial potential, such as population size and development of the road network, the volume of the road network and the area of forest-park zones, etc. The territories of the regions within even one state differ from each other in historical, economic-geographical, climatic, national-demographic conditions, have different levels of development and structure of the local economy. According to the level of development, the regions are divided into highly developed, backward and new development areas, or innovative ones; in terms of development rates, we can distinguish dynamically developing, inertly developing, stagnating and depressive. The most important feature of regional development is its social orientation, which is expressed by the characteristics of the level and quality of life of the population of a given locality. The functioning and development of the territories is determined by three groups of circumstances:

- natural (availability of natural resources, the inherited structure of the economy, the level of human and social capital);
- institutional (structure and concentration of property, established relations with federal structures,

relations between government and business, the presence of active groups of the regional public, etc.) [10];

- varying degrees of influence from the federal center, expressed in those or other measures of state regional policy.

The management of regional development currently has drawbacks, among which are the following: lack of tools for coordinated use of territories; the actual loss of a culture of planning the use and development of territories; insufficient development of interregional cooperation; the growing disproportion between the subjects of the Russian Federation in the level and pace of socio-economic development; lack of state regulation of the development of territories; dominance in the management of territories of influence of large corporations, which have a great influence on the spatial development of the country, lobbying for certain population resettlement projects and the development of transport infrastructure.

Another drawback of regional development is the low interconnectedness of urban planning documentation and programs for the socio-economic development of territories, which leads to a decrease in the effectiveness of the implementation of many managerial, organizational and investment processes and a decrease in the likelihood of achieving the chosen goals of socio-economic development of territories.

Local authorities are entrusted with a lot of functions for the development of territories, which is associated with their proximity to the object of management - the territories. Virtually all decisions made by local authorities ultimately influence the development of the territory [11]. However, to implement the decisions on the development of the territories, municipalities are sorely lacking financial resources. Overcoming this problem should be promoted by attracting private finances through public-private partnership tools.

We believe that public-private partnership at the regional level has a number of features: first, there is a close dependence of the finances of municipal enterprises on public finances, the priority placement of government orders and public procurement among state-owned enterprises, the provision of concessional loans and subsidies, the establishment of preferential products for their products and services prices.

Secondly, the state carries out a paternalistic approach to its enterprises in the areas of employment and social security, work and rest schedules, and requirements to prevent their insolvency and bankruptcy.

Thirdly, the management of an enterprise is based on the principle of administrative subordination and strict subordination, delegation by the municipality to the directors corps of the enterprise of the function of fulfilling the obligations of the owner - the municipality, the state.

Fourth, the interests of the enterprise are dictated by the public interests, private benefits are subordinated to the public. The economic rationale for the costs of private business and its results is informal, while pricing occurs, as a rule, in a monopolistic market mode.

Analysis of the implementation of public-private and municipal-private partnership projects showed that transport infrastructure became a pilot industry for applying public-private partnership mechanisms in the regions [12]. This is due to chronic underfunding of this area, which led to its technological deterioration and an increase in the unit cost of maintaining it in good condition. The lack of budgetary investments in order to overcome the infrastructure crisis in a quality manner demanded the search for extra-budgetary funds, which predetermined the participation of private business in such projects [13]. At the same time, investment in transport infrastructure, as shown by the practice of all economically developed countries, radically affect the general economic indicators of the development of territorial entities.

Currently, the growth in the number of PPP projects at the regional level in Russia amounted to 52% in 2017, reaching 331 units. The growth in the number of municipal PPP projects implemented in the regions of the Russian Federation was 49% and reached the number of 1,623 projects [14].

In order to form an effective spatial development of Russia in the context of modernization, an appropriate legal framework is needed, for example, the law On the Basics of State Regulation of Regional Development in the Russian Federation, the draft of which is currently under consideration. The current Russian legislation is characterized by the absence of such bases. Until today, the objectives and principles of state regulation of the development of regions and territories, powers of state bodies in this area, means, mechanisms and areas of state regulation, etc. have not been reflected. The most important elements of territorial development, including development principles, goals and development monitoring, forecasting and planning, implementation mechanism, etc. not regulated by applicable regulations.

Since at present not a single state has succeeded in creating an ideal system of partnership between the state and business, a balanced interaction of two forms of governance, state and private, remains promising for the innovative development of regions. The interaction of state authorities and the private sector in terms of pooling resources and potentials, fair distribution of risks between the partner parties will allow to actively attract investments, implement social projects with high quality and on time, improve the quality of services provided to the population, increase the quality and standard of living of the population, promote regional development.

## V. CONCLUSION

The state regional policy should now be focused on improving the balance of spatial development of

territories by identifying and disclosing the advantages and advantages of each region, forming and promoting the strengthening of new agglomerations of dynamic economic growth. Today we should talk about the creation of effective regional and interregional relations, the development of territories of innovatively oriented socio-economic progress.

We formulate the following priority areas for the development of partnership at the level of regions and municipalities:

- creating favorable conditions for business development;
- improvement of the regulatory framework of the PPP sphere;
- development of an effective local infrastructure for the implementation of PPPs, including the formation of project offices responsible for developing and supporting projects, introducing the institution of a “single body” responsible for preparing and conducting a competitive selection of concessionaires, etc.

The development of interaction between regional authorities and business can be an important form of improvement of public-private partnership, accompanied by the distribution of responsibility, separation of project risks and benefits from the implementation of projects. As the main goals of the state regional policy, it is necessary to implement measures such as maintaining the balance of the regional budget system for the unconditional fulfillment of social obligations to citizens, promoting employment, preserving and creating jobs, and activating business in the regions.

Modern regional development policy should be a clear, well-coordinated system of development, coordination and implementation of priority areas for the development of regions and municipalities, including an integral set of flexible provisions of an organizational, legal, financial, methodical and informational nature. The formation of a modern state regional policy will be of great importance for the effective modernization of the regional economy and can serve as an important prerequisite for their successful development.

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