



ЭКОНОМИКА

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WHAT FACILITATES AND WHAT SLOWS DOWN THE DEVELOPMENT OF PUBLIC-PRIVATE PARTNERSHIPS IN RUSSIA

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The article provides a critical appraisal of the Russian language literature on public-private partnership (PPP) management. Having identifies gaps and weaknesses in the literature, the article highlights the internal drivers of PPP development in Russia and gives an assessment of their significance for partnership proliferation in the country, investigates the principal components of the emergent paradigm in the public policy aimed at advancement of partnerships, delineates the paradigm's nature and shows its implications.

Key words: public-private partnership (PPP), drivers, public services, public policy.

Что ускоряет и что замедляет развитие государственно-частных партнерств в России

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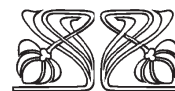
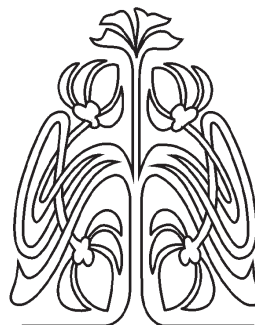
В статье приводится критический анализ российской литературы по вопросам управления государственно-частными партнерствами (ГЧП). После выявления недостатков и неосвещенных тем по данной проблематике в статье дается оценка их влиянию на дальнейшее применение партнерств в стране, также изучаются основные элементы зарождающейся парадигмы в государственной политике, направленной на более широкое применение партнерств, рассматривается сущность этой парадигмы и ее последствия.

Ключевые слова: государственно-частное партнерство (ГЧП), драйверы развития, государственные услуги, государственная политика.

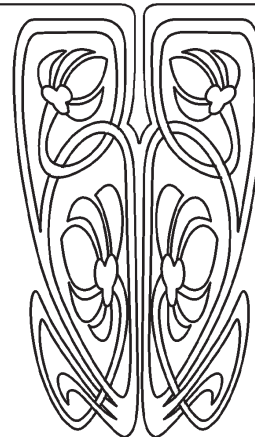
Introduction

A public-private partnership (PPP) exists where the partners from the public and private sectors share resources, responsibility and risk for the public service provision¹. Via PPP formation, the government attempts to improve service delivery efficiency, lower costs, increase customer satisfaction and attract private funding². Typically, in a PPP, the private sector partner constructs or renovates an asset, such as a stadium or a hospital, at its own expense. A private party then assumes responsibility for the public service delivery with the use of this asset for a certain time that often ranges between 10 and 30 years. To recover its investment and operating expenses (e.g., for the service provision and facility maintenance), a private company receives user fees and/or payments from the government³.

A comprehensive understanding of a partnership is offered by Grimsey & Lewis who describe PPP as an «agreement where the public sector enters into long-term contractual agreements with private sector entities for the construction or management of public sector infrastructure facilities by the private sector entity, or the provision of services (using



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infrastructure facilities) by the private sector entity to the community on behalf of a public sector entity»⁴.

Yet another approach argues that a PPP is an institutionalized arrangement between public and private actors in which they share a responsibility for a product, risk, costs, and benefits⁵. Although this definition lacks explanation of what exactly a PPP is going to provide and how, it includes key elements that partners have to share. In other words, it is sharing that transforms collaboration into a partnership. Perhaps, this is most evident in reference to costs: if public and private parties do not contribute jointly to the costs of a project, then one partner's involvement becomes considerably reduced (which also is likely to result in a reduction of risks). In that case, cooperation may be managed by a contract, i.e. by hiring a private party to do a job for government. In other words, the absence of one or more shared elements in a partnership may change the nature of public-private collaboration significantly – normally from a partnership-type interaction to contracting public services out to a private firm. From the perspective of shared responsibilities, this definition accurately captures the collaborative nature of a PPP as opposed to hiring a private company for implementation of a public sector task.

The article pursues three objectives. The first is to provide a critical assessment of the Russian language literature on PPP management and to identify gaps and weaknesses. The second is to investigate what drivers of PPP development in Russia are more significant and why. Furthermore, the objective is to study the meaning and the elements of the emergent PPP policy paradigm.

The Russian language literature regarding PPPs: focus areas

This section provides an overview of the Russian language literature about PPPs in Russia and topics on which literature focuses. This will set a background for the discussion of PPP drivers in Russia and what influences them. The literature appraisal will also allow to reveal gaps and weaknesses in the literature.

As PPP experience is limited and new in both countries, the number of scholarly publications is small. Among commonly discussed topics, advantages of PPPs are by far the most popular. However, it includes the discussion of items which have been identified in the Western literature, whilst additional scholarly contribution seems to be lacking.

For example, the Russian language academic literature and Russia's policy documents emphasize the PPP value for money and add a related feature, namely the lack of public funding⁶. PPP advocates endorse the persuasive argument that people will either obtain some public services with the use of private partners and private funds, or not⁷. However, in the above mentioned sources the discussion of

PPP value for money switches to the following perspective: often value for money is understood as an ability of partnerships to deliver public services (in other words, no PPP means no public service, due to lack of government money). Although this argument in favor of PPPs is valid, using it as a single dominating factor that justifies partnerships is debatable, and is not in line with Western literature regarding the nature of PPP's value for money.

The Russian language literature extensively discusses the benefits of concessions and identifies at least four of them. First, long-term arrangements allow both parties to strategically plan their activities⁸. Second, a private partner has a high degree of autonomy and flexibility in making business decisions which may increase the project efficiency⁹. Third, in the framework set by a concessional contract and general legislation, government can discipline a private partner if it violates the concession's terms, for example, by not releasing payments to a private firm. This may be particularly useful for the protection of the public interests. Fourth, a concession implies a temporary use of an asset by a private partner while the property ownership remains with the government¹⁰.

As for the above noted and other PPP advantages, they are commonly discussed as a given, and discussion often lacks theoretical arguments or empirical evidence from the experience of any country. For example, technological innovation is often cited as a major advantage of partnerships, i.e. a PPP may provide technological breakthrough stemming from the intention to cut costs and increase profits. However, there is no particular evidence in Russia that can be used to support this at the present time.

As opposed to the discussion of PPP advantages that is often quite extensive and may take pages of text, PPP drawbacks often are not discussed at all or may deserve just a brief description. Overall, the discussion of PPPs in the Russian-language literature can be characterized as euphoria regarding partnerships, with high expectations about their performance. This approach is lacking justification because partnerships failures and performance problems are fairly common in OECD countries. At the same time, this approach seems biased as it creates a distorted picture of PPPs with numerous claims that this form of collaboration between the public and private sectors is the most effective in many respects because it ensures reliable delivery of high-quality services, rational use of public funds and innovation.

Another common topic is how, in which direction to amend some legal provisions that determine terms of a PPP contract. Both PPP policy documents in Russia, such as the law on concessions, and the Russian language literature emphasize a contract as the main and only document that may ensure



successful management of all PPP aspects for the duration of a partnership. Many Russian scholars conclude their studies with observations that the principal reason for PPP shortfalls (both existing and potential) is that PPP-governing laws and regulations are underdeveloped, lack specifics and include «grey areas» that are subject to differing interpretations¹¹. The most common conclusion is that the law on concessions in each country and other PPP-related laws and regulations require further improvement.

For example, Glumov (2009) emphasizes the need to draft a law on PPPs that would set the guiding principles and legal basis for PPP formation and management, specifically for the regions ('oblasti') in Russia, rather than at the Federal level¹². This law would allow regional governments to use legally-defined procedures and instruments to initiate PPP projects, select a private partner and know how far they can extend their own participation.

The extensive part of literature on PPPs in Russia devotes itself to special economic zones, projects financed by the Russia's Investment Fund, and to semi-government corporations with mixed public and private stock ownership¹³. This is because the government understanding of partnerships includes these three categories. As a result, the large part of the PPP literature in Russia discusses the forms of public-private collaboration, other than project-based PPPs. This is in sharp contrast with Western literature which almost exclusively devotes itself to project-based (contractual) partnerships.

Finally, it is worth identifying some neglected areas of PPP studies in the Russian language literature. They include research regarding specific PPP projects; PPP governance and partner interaction; and stakeholders' interests and operating environments. In addition, PPP shortfalls deserve further elaboration in the Russia's context, given that the PPP experience in the country is relatively new and limited. Also, although some studies address risk management in PPPs, this area of research can be significantly expanded.

In general, studies of PPP management, reflected in the Russian language literature, are in their infancy. No specific study has examined the aspects and determinants of relationship quality in PPPs in these countries, as well as links between partner interaction, risk management and overall partnership performance. Furthermore, there are no studies that investigate the public policy regarding PPPs, and what the impediments to the PPP development in the country are.

The PPP development: a critical assessment

This section provides a critical assessment of PPP drivers from the perspective of their influence on the partnership development in Russia. It also discusses the nature of the government policy regarding partnerships and the role that the public

policy plays in PPP proliferation. Finally, this section identifies reasons due to which the PPP expansion appears to be slow at the present time and suggests how PPP development can be facilitated.

Among internal PPP drivers, a need to get private financing for upgrading housing and utilities infrastructure is by far the most pressing. This need is grounded in deeply outdated housing the vast majority of which is the Soviet legacy and in utility infrastructure that was also built often before World War II and requires massive replacement. The contextual factor that explains the burning need for getting the private financing in this field is the colossal size of utility infrastructure overhaul. The enormity of the task, in terms of the funds required for the overhaul, forces the Russian government to argue that getting PPPs with private financing in this field is the only feasible solution. Delays in upgrades are likely to result in more frequent breakages of power lines, or pipeline systems that supply water or natural gas, in high repair costs, as well as disruption of public service delivery to customers. Thus, PPPs become a feasible solution that permits combining the interests of all stakeholders: citizens who need better housing and utilities infrastructure, governments that look for ways of financing the infrastructure renovation, and private firms seeking profitable investments.

The need to increase financial attractiveness of selected sectors to private investors also carries significant value that can be described as complementary to the need for financing the housing and utilities infrastructure overhaul. This is because private investors are needed exactly in this field, and also for other infrastructure projects such as construction and operation of railroads, automobile roads, airports, sea ports and in the energy sector. What is common for all these sectors is the high cost of capital assets that the government hopes to construct or renovate with the help of private investors. Thus, one PPP driver reinforces the other, and their enhanced combined influence pushes the government to seek a solution in the formation and implementation of partnership projects for the purpose of massive infrastructure upgrade.

As opposed to the two internal PPP drivers discussed above, yet another internal PPP driver, namely the need to create an additional stimulus for economic development in the regions, is associated with much lower influence on partnership proliferation. This is due to the fact that the responsibility for regional economic development is shared between the Federal government and the regional governments. In Russia, the regional governments' budgets are heavily dependent of the allocations from the Federal government. Regions are responsible fully or in part for the provision of services such as school education, health care, regional transportation services, water supply, road construction and many others. In reality national



government has assigned the bulk of responsibilities to regional governments through the budgetary allocations and intergovernmental transfers. In Russia, a highly centralized federation, sharing responsibilities between the Federal government and regional governments means that the principal responsibility for economic development in a region remains with a regional government because of its close proximity to citizens and its ability to better understand local needs.

However, where a region can form a PPP without asking the national government to grant funds and other resources (such as land), the government is likely to welcome this kind of a partnership. The large number of concessions in Russia at the local level that Table summarized (200 in 2011 compared to 23 in 2009) also suggests that local governments are able to form partnerships faster and easier as long as bureaucracy related to national regulations and national agencies is not involved.

Number of concessions in Russia, 2009–2011¹⁴

| Government level | January 2009 | January 2011 |
|------------------|--------------|--------------|
| Federal level | 0 | 2 |
| Regional level | 0 | 2 |
| Municipal level | 23 | 200 |

Moving on to the assessment of external PPP drivers, it can be argued that Russia's intention to align itself with perceived globalization trends and international best practices is the most influential factor that facilitates partnership development. The country has become highly receptive, in a positive way, to impulses from the rest of the world, particularly to those that would allow Russia to claim that it is a fully-fledged member of the international community. These positive responses to multiple external challenges have become a reality – and an essential part – of government policies.

In turn, the principal reason for these policies is government intention to share values with industrialized countries in as many fields as possible because shared values, ultimately, would allow to judge whether a certain country is part of the international community. Whilst in politics or human rights shared values between Russia, on the one hand, and industrialized nations, on the other hand, are just emerging, in other fields such as economy or education formation of shared values is quite possible, and Russia is eager to seize each available opportunity including PPP development.

Russia's intention to align itself with PPPs, which are perceived as an international trend, also explains why the country is receptive to pressure that comes from foreign investors and international organizations. It can be argued that the country is interested in getting experience and expertise from foreign firms. Additionally, the international

involvement in PPP projects is by itself an influential factor that legitimizes and facilitates PPP employment in the nation.

However, the effects of internal and external PPP drivers could be substantially smaller if there were no public policy in place. The PPP public policy is the major driving force that furthers partnership development in Russia. The country began forming its policy in 2004–2005. The policy aims at overcoming lack of trust in government and corresponding lack of willingness among private businesses to cooperate with the public agencies. While Russia continues to build a market oriented economy, these goals are deemed useful as they may result in expansion of the sectors in which private firms can successfully operate and use their own, not government, funding. In summary, PPPs are viewed as a strategic tool of collaboration between the public and private sectors for the long run.

The notable feature of the PPP public policy in Russia is that the government is swiftly transforming the PPP debate into the evolving policy paradigm. Although overall PPP costs may be higher due to extensive government financial support and higher cost of private borrowing, nevertheless the literature claims that PPPs are a preferred form of collaboration between the public and private sectors in Russia¹⁵. Thus, the value for money concept appears to be neglected, and it gives place to the PPP policy paradigm.

The elements of this paradigm include the following: the broad government understanding of the meaning of a partnership that includes almost any form of collaboration of the public and private sectors; PPP approval process that lacks consistency across regions in a country; unbalanced government approach to perceived PPP benefits in which excessive emphasis is being put on positive PPP externalities, whilst negative externalities are discounted; unjustifiably extensive government financial support to PPPs; unwarranted approach to risk allocation in which the government tends to accept excessive and/or unnecessary risks; and strong emphasis on a concession regardless of availability of other PPP forms and the nature of an industry.

The emerging PPP policy paradigm can be viewed as a tool using which the government facilitates the expansion of partnerships. A paradigm assigns selected features to a partnership and disregards others. Once the paradigm is in place, the discussion of whether a PPP is a useful form for implementation of the public sector task is largely replaced by accepted approaches and instruments that are deemed undisputed and that provide vast opportunities for employment of partnerships.

However, the progress with the paradigm formation appeared to be quite slow in a sense that the government itself is undecided how to define certain aspects essential for PPP development. Specifically,



governments are lacking typical solutions regarding risk allocation between partners, i.e., who has to bear a certain risk, such as exchange rate risk, land acquisition risk, demand risk, or public acceptance risk (for example, if car drivers are not willing to use a toll road as it was anticipated in a project). Additionally, despite government extensive financial support to partnerships, it is still difficult to find private investors who possess required funds and are willing to borrow significant amounts in order to undertake a project. Also, private banks are reluctant to lend money for a long term, such as 15–20 years, due to multiple risks including political risk and risk of changes in regulatory environment.

The quick emergence of the PPP policy paradigm has now stalled to a large extent and this backfires the government and its own policy. Unless governments are able to identify typical financial, organizational and risk allocation solutions, the progress with PPP development is likely to be slow. One opportunity to pursue is to let local (and, perhaps, regional) governments experiment with PPP formation, as long as national funds and other resources are not employed. This may permit finding managerial arrangements and financial solutions, on a smaller scale of a municipality, that the Federal government is currently lacking. Also, the experience of local governments may suggest what changes in PPP legislation are necessary to facilitate the partnership expansion in Russia.

Conclusion

The article critically assessed factors that drive PPP expansion in Russia. Among internal drivers, two are of the general nature – lack of innovation and lack of budget financing – and can be applied to almost any country, although Russia puts an unusually (and unjustifiably) high importance on technological innovation that partnerships may bring along.

Three other PPP drivers in the same category of internal factors are contextual and apply specifically to Russia as the country is heavily influenced by the Soviet legacy. These drivers include a need to use private funds for massive upgrading the utilities and housing infrastructure; a need to increase attractiveness of selected industries for private investors; and a need to give a stronger impetus to economic development in the regions. An assessment has shown that the most influential driver among them is the need to get private financing for the massive overhaul of the housing and utilities infrastructure due to the enormity of this task for which the government in Russia is unable to raise sufficient funds in the foreseen future.

The article has identified and discussed three external factors that foster an accelerated proliferation of partnerships in Russia. Among them, the government's intention to align itself with perceived international best practices is the

most influential as it allows the country to claim its full-fledged membership in the world community because of values shared with industrialized nations. This intention drives many policy actions in the country and the PPP proliferation is yet additional example.

The noted PPP drivers have been contrasted to what the scholarly Russian language literature claims to be factors of PPP expansion. These claims include often unjustified association of partnerships with selected advantages that are deemed intrinsic to PPPs such as technological superiority and greater efficiency.

The major driving force for the partnership expansion is the public policy that evolves as a policy paradigm. In this emergent paradigm, instruments and solutions for PPP financing, governance, and risk mitigation are supposed to be readily available, and if so, they may replace any policy debate regarding why and how partnerships may be employed. However, typical solutions and tools for partnership financing and implementation in Russia are lacking at this time, and this is the principal reason due to which the progress with PPP development appears to be slow.

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РАЗВИТИЕ ИНТЕГРАЦИИ ОБРАЗОВАНИЯ, НАУКИ И ПРОИЗВОДСТВА В ФОРМЕ ТРАНСФЕРА ТЕХНОЛОГИЙ НА СОВРЕМЕННОЙ ФАЗЕ ИННОВАЦИОННОГО ЦИКЛА РОССИЙСКОЙ ЭКОНОМИКИ



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В статье рассматривается развитие интеграции образования, науки и производства в форме прямого и опосредованного механизмов трансфера инновационных технологий. Проводится сравнительный анализ таких понятий, как «трансфер технологий», «коммерциализация технологий», «инновационная диффузия», «спилловер инноваций». Выделяются особенности и проблемы трансфера технологий в российской экономике.

Ключевые слова: интеграция, трансфер технологий, коммерциализация технологий, формы трансфера инновационных технологий, инновационный цикл.

The Development of the Integration of Education, Science and Industry in the Form of Technology Transfer on Modern Phase of the Innovation Cycle of the Russian Economy

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The article considers the development of the integration of education, science and industry in the form of direct and indirect mechanisms of technology transfer. The comparative analysis of such terms as «technology transfer», «technology commercialization», «innovation diffusion», «spillover of innovation». The article gives accent to the aspects and problems of technology transfer in the Russian economy

Key words: integration, technology transfer, commercialization of technology, forms transfer of innovative technologies, innovation cycle.

В современной экономике к концу XX в. начался новый этап развития. Он характеризуется широкомасштабным появлением новых технологий, приводящим к смене основных конкурентных преимуществ хозяйствующих субъектов, экономи-

ческий рост которых все больше зависит от выделяемых средств на НИОКР и защиту созданной при этом интеллектуальной собственности. В этих условиях высокому уровню развития фундаментальных и прикладных научных исследований в различных экономических системах необходимы эквивалентные ему механизмы трансфера результатов НИР в реальный сектор экономики, способствующие интеграции образования, науки, производства в интересах социально-экономического развития регионов и страны в целом.

Как отмечает Д. В. Гибсон¹, потребность в передаче технологий является относительно новым явлением и широко обсуждается специалистами. Среди них нет согласия и единства мнения по поводу понятия «трансфер». «Transfer» в буквальном переводе означает «передача», «перемещение», поэтому под трансфером обычно понимается движение информации с использованием каких-либо информационных каналов от одного его индивидуального или коллективного носителя к другому.

Очень часто используют такие понятия, как «трансфер знаний», «трансфер технологий», «трансфер инноваций». На наш взгляд, «трансфер знаний» является наиболее широким понятием, «трансфер технологий» – более узкое понятие, как одна из форм трансфера знаний, и «трансфер инноваций» – еще более узкое, как трансфер готовой к использованию технологии или созданного на ее основе продукта.