

Improving Private Sector and Government Partnership System to Support Small Businesses in the Service Sector

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ABSTRACT

The emergence of this form of partnership between the private sector and the state to support business, including services, dictated by the fact that the state does not always has a sufficient amount of available funds and workforce necessary for the implementation of infrastructure development projects, including small business support infrastructure. Therefore, the use of tools interaction between private business and the state of the development of infrastructural spheres of support of small business becomes more appropriate. At the same time, this trend is not enough studied by modern scholars, which causes the relevance of this study. This article aims to study the essence of the public-private partnership, its legal basis in the Russian Federation, the assessment of the level of development of the public-private partnerships in the regions. To investigate this issue theoretical and empirical research methods, techniques and economic-statistical factor analysis, economic and mathematical modeling, expert evaluation were used. In contrast to existing studies, the authors prove the necessity of the use of public-private institutions and municipal-private partnership in the development of small business support infrastructure in the regions. For this the authors developed a model of using public-private institutions and municipal-private partnerships for infrastructure development of small business support with the release of the stages of development and implementation of public-private project.

KEYWORDS

Small business; public-private partnerships; municipal-private partnership; sphere of services; business support infrastructure

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Introduction

The formation and the development of various forms of private sector and the state partnership system

In recent years, all countries are actively developing various forms of interaction between government and the business. The government is increasingly

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attracting the private business sector to realize their infrastructure projects, especially in areas such as transport, roads, health, education, housing, tourism, sports, recreation, and social innovation.

The theme of public-private partnership has acquired a particular importance in the situation of the global financial crisis, when many areas of national economies need the state support.

Numerous scientific papers are devoted to the study of issues of the private sector and the state partnership system. But in spite of sufficient study of the issues of public-private partnership, this institution has not been considered as an instrument of development of an infrastructure of a small business support.

The formation and the development of the private sector and the state partnership system in Russ

At the moment, the Russian Federation with a budget deficit lacks funds for these sectors. In this case, the form such as a public-private partnership can be an effective institution for sustainable economic development (Vinogradova et al, 2016).

In Russia, the public-private partnership refers to specific projects implemented jointly by private companies and government agencies on the federal, regional and municipal property objects, with implementation of which the State retains its responsibility for providing the population with quality services, impacting positively on economic development and improvement of living standards of society (Koryak & Loginov, 2013).

As it is noted by N.G. Yushkova (2014) in contrast to the developed countries the Russian public-private partnership is in the process of formation and development, although the results of such cooperation already exist. The most common form of a public-private partnership in the world is concession: it accounts for over 60% of public-private projects. In Russia several concession agreements are signed on the federal level - in relation to the construction of the toll road the M1 and Moscow - St. Petersburg. In St. Petersburg, on the basis of a regional law on PPP, the project "Western High-Speed Diameter", implemented the project "Reconstruction of the Pulkovo Airport" (put into operation "Pulkovo-3" international terminal) (Morkovkin, 2016). In Moscow on the terms of the PPP the reconstruction of the hospital number 63 began, in St. Petersburg at such conditions on the territory of a maternity hospital number 17, will be created Perinatal Center and the City Hospital №60 will become the new rehabilitation center (Sazonov, Mamedov & Kabanov, 2014).

Areas of the improvement of the private sector and the state partnership system to support small businesses in the service sector

To encourage further inflow of private capital in the implementation of infrastructure projects of national importance, it is necessary to move in two key areas: to improve legislation and reduce long-term risks of investing.

The adoption of the Federal Law dated 13.07.2015 N 224-FL (ed. Of 12.29.2015) "On public-private partnership, municipal-private partnership in the Russian Federation and the Introduction of Amendments to Certain Legislative Acts of the Russian Federation", where the concept of public-private partnerships as a "legally drawn up for a certain period and based on the

coalition of resources, risk-sharing partnership with the public partner, on the one hand, and the private partner on the other hand, is carried out on the basis of the agreement on public-private partnership, a municipal-private partnership agreement concluded in accordance with this federal law in order to attract private investment in the economy, to ensure public authorities and local governments access to goods, works and services and improve their quality. "

Despite a series of documents adopted at both the federal and regional levels, the institutional environment of the public-private partnership needs to be further improved. According to Y.N. Shedko (2010), the further qualitative study of the specificity of the Partnership Instrument's action needs to be done, it is necessary to adopt strategies for the development of public-private partnership, integrated in the regional socio-economic policies, the increase of competences of the Executive and senior officials in the field of control projects of public-private partnerships, to consolidate the functions of authorized bodies for the preparation of a public-private partnership projects. In addition, as it is noted by O.S. Kolesnikova (2009), the lack of highly detailed legal framework negatively affects the attraction of investments in this area. Quality project management - a major risk for the development of the public-private partnership system, which may prevent the implementation of this instrument. According to experts, every fifth concession tender prepared in the Russian did not take place, due to the low quality of the development of the projects themselves, even though using the services of specialized consulting firms (Sabirov et al., 2015) and the lack of activity of authorities in cooperation with the private sector.

Methodological Framework

The methodological basis of this study were the works of scientists who have studied the nature of a public-private partnership, including its features in the Russian Federation, such as A.V. Averin & V.V. Grigorieva (2015), M.A. Bushueva (2014), N. Dan (1990), O.S. Kolesnikova (2009), A.Y. Korolyova & P.A. Lobanov (2015), G.T. Mavletkulova (2013), T.A. Paladova & E.S. Maltseva (2014), A. Pantelias & Z. Zhang (2010), Y.N. Shedko (2010), and others.

For the analysis of the existing system of partnership between the private sector and the government to support small businesses in the service sector and the directions of its improvement, the authors of the article used methods of economic-statistical and factor analysis, economic and mathematical modeling.

The application of these methods allowed the grouping of Russian regions on the level of development of public-private partnerships and justification of a conclusion about the uneven development of public-private partnerships in different regions. In addition, through the use of theoretical and empirical methods of research a model of modern public-private partnerships as an institution of infrastructure to support small businesses was developed. Moreover, these issues are of a particular relevance for the development of the services in the regions (Erdyneeva et al., 2016; Zaitseva & Chernikova, 2013; Vinogradova et al, 2015)

Results

According to a study conducted by the authors, the development of the public-private partnerships has been uneven across regions. There are five groups of

regions: the leaders of the level of the development of public-private partnership with a rating in the 60-75%, with the high level of development - 45-60%, with an average level of development - 35-45%, the regions with a low level of development - 25-35%, the regions with a very low level of development - 0-25%. For example, Table 1 shows the 10 leading regions in the development of public-private partnerships and the 10 regions with the lowest level of the development.

Functions and organizational conditions of social partnership between college and company

The main functions of production and pedagogical management are focused on providing of the most effective students' vocational training at minimal cost and time and include:

1. providing of labor market with the required quantities of competitive, mobile, highly skilled workers and mid-level professionals,
2. promotion to the successful socialization of the individual of the student, in order to achieve the student's self-determination, active life activities, quick adaptation to innovations of modern high-tech industry.

Table 1 shows the basic conditions for social partnership between college and company and the parties' activities.

Table 1. Rating of Russian regions in terms of development of public-private partnership as of 1 March 2015

The name of the subject of the RF	Rating, %	№	The name of the subject of the RF	Rating, %
St. Petersburg	69,2	76	The Republic Of Kalmykia	19,6
The Republic Of Tatarstan	66,7	77	Republic Of Crimea	17,7
Moscow	63,8	78	Orel region	17,4
Novosibirsk region	61,9	79	Magadan region	17,2
Nizhniy Novgorod region	61,5	80	The Republic Of Chechnya	13,2
Leningrad region	60,2	81	Sevastopol	12,4
Samara region	59,6	82	Chukotka Autonomous district	10,6
Sverdlovsk region	59,6	83	The Republic Of Karachay-Cherkessia	10,0
Moscow region	56,6	84	The Republic Of Adygea	8,8
Voronezh region	54,4	85	The Republic Of Ingushetia	6,2

Source: compiled by the authors according to the study of NP "Center for Development of PPP» (Rating regions of Russia on the development of public-private partnerships, in 2015)

During the study of the system of the partnership between the private sector and the state to support small businesses in the service sector, the authors of the article paid the considerable attention to such factors as: the development of the institutional environment in the sphere of public-private

partnerships, the existing experience in implementing similar projects and the investment attractiveness of the region. These factors were used in developing the model of the modern public-private partnership.

Model of modern public-private partnership as a development of the IPMP institution

The private sector and the state system partnership in the area of infrastructural support of small business will allow delegating part of the state functions to the private business, because it is based not on competition, but on cooperation and sharing of risks. In this case, the public-private partnership should be based on new principles, based on the extension of the control of global connections, the growth of innovative technologies, the growing needs of consumers interested in the quality and speed of receipt of state and municipal services, development of entrepreneurship (Averin & Grigorieva, 2015).

In modern conditions it becomes important to simulate the stepwise development and implementation of public-private partnership and municipal-private partnership. As the stages of development of partnership in the sphere of infrastructural support of small business the authors distinguish nine stages.

Stage 1. Initialization of the project. This stage includes identifying problems in the development of infrastructure support of small business at the Federal, regional or municipal level and definition of the project objectives. The initiator of the project can act as a private partner and public partner.

Stage 2. The preparation of the proposal. The private partner carries out the elaboration of the overall project concept, its goals and objectives, assesses the main socio-economic indicators, estimation of budget effectiveness of the project and justification of its comparative advantages, risks and deadlines. Getting the private partners of the Bank guarantee or the guarantee of a credit institution in the amount of not less than five percent of the projected financing of the project is very important at this stage. If the initiator of the project is entering a public partner, he is preparing a proposal.

Stage 3. The decision to implement the project by a public partner. The public partner shall examine the proposal and make a decision. During the review of the proposal additional negotiations and joint meetings are conducted, which may cause the change of the original proposal. Results of the meetings are recorded in the minutes. The decision and minutes of meetings are transferred to the private partner, and the information is placed on the official web-site. If the criteria of the project or the private partner do not meet the requirements, the public partner issues a reasoned refusal.

Stage 4. The decision on the implementation of the project by the authorized body. If the decision is positive, the public partner transmits the proposal and protocols for review to the authorized body to assess the effectiveness and comparative advantages. When considering the question of the effectiveness of the project the financial and socio-economic efficiency are taken into account. If the results of the efficiency of the project comply with the requirements, the comparative advantage is valued on the following criteria: net present value consumption, the volume of risk and amount of assumed obligations. Methods of assessing the effectiveness of the project based on specific criteria determined by the Federal Executive authority carrying out state policy in the field of investment. After considering the project and the

decision this information together with the minutes of the decision is published on the official website in the Internet. If the public partner makes a positive decision, he transmits the decision for consideration by the public authority or the head of the municipality.

Stage 5. The decision on the project by a public authority, local authority. When a positive decision on the project is made by a public authority, local authority shall indicate the purpose, objectives, terms of the agreement, the form of the agreement, the value criteria of project performance and comparative advantage, the kind of competition (open, closed), the criteria of the competition, its timing, the competition commission.

Stage 6. The competition is held by the public partner. During the competition the following competitive criteria are evaluated: technical specifications, financial, economic and legal. According to the results of the competition an agreement is formed. If after the announcement of the competition at a certain date a complaint of the intention to participate in the competition from a third party isn't received, the agreement is concluded with a private partner - the initiator of the project.

Stage 7. The conclusion of an agreement. The agreement defines the following conditions: the form of the agreement, the implementation deadlines, the value of the criteria of efficiency, comparative advantage, obligations of the parties, the information about the object of the agreement, responsibility of the parties and other conditions.

Stage 8. The implementation of the project, its financing and control. On the stage of the implementing the project a public partner supervises the implementation of the terms of the project, according to the project performance on the technical and operational characteristics of the object of the agreement. The control results should be reported and posted on the official web-site. At the same time, we cannot help but agree with the opinion of D.E. Morkovkin (2016) that the important thing at this stage is to attract a financial partner and find long-term effective instruments for financing the project. In order to regulate the conditions and procedure for interaction during the terms of the agreement, as well as in a situation of changing or terminating of the agreement the direct execution of agreements is allowed (civil contract conducted between the public partner, the private partner and the funding entity).

Stage 9. The completion of the project implementation and termination of the agreement. For the successful development of an infrastructure of support of small business you need to define a special procedure for establishing tariffs and standards of services provided for public-private partnership projects and municipal-private partnership; exemption arrangements for this partnership of industry regulation requirements at the regional level; guarantees to investors of not deteriorating originally negotiated terms of a public-private partnership agreement in the event of adverse changes in legislation, the granting of preferences. This entire model is reflected in the form in Figure 1.

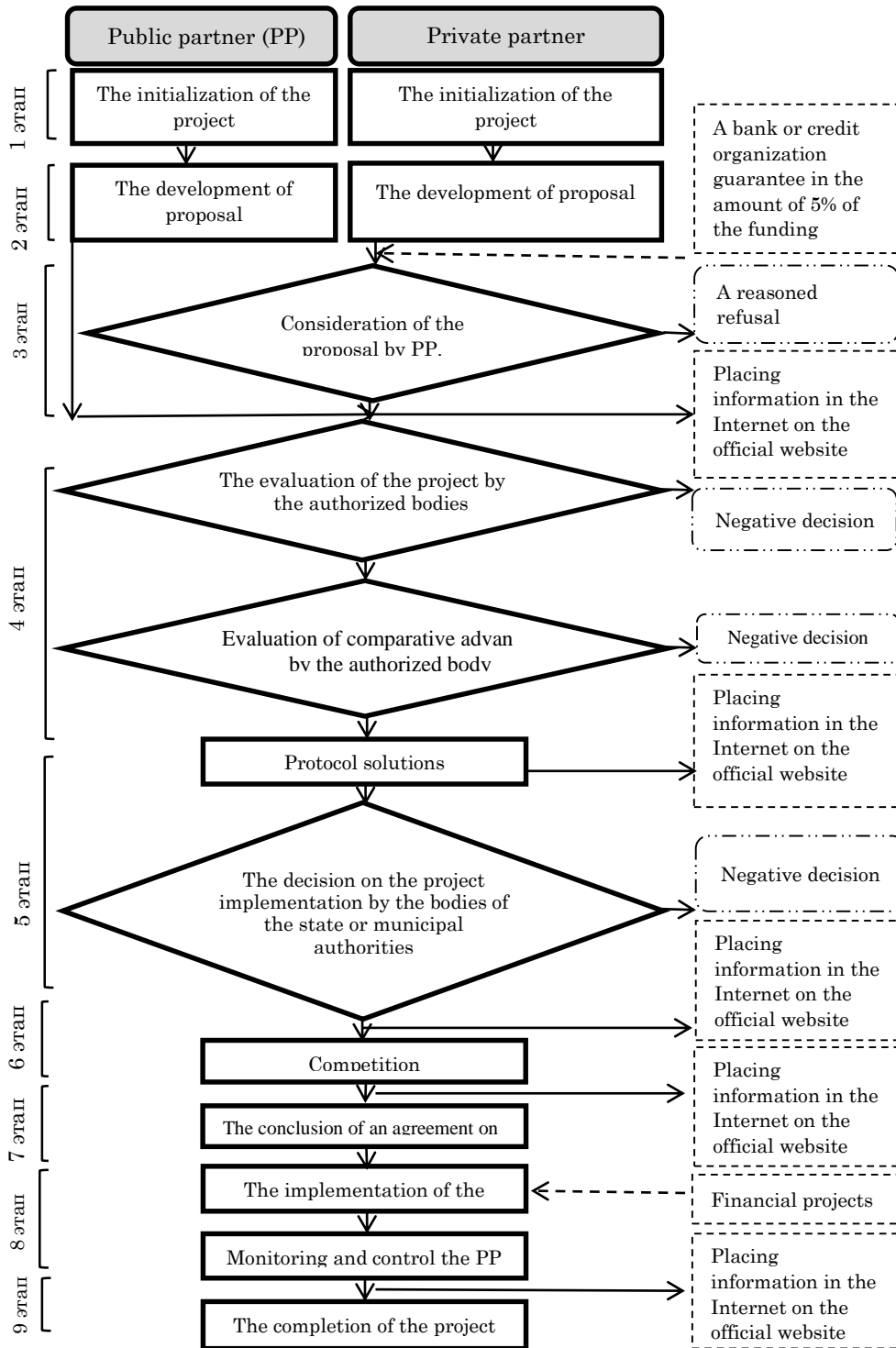


Figure 1. The contemporary model of the public-private partnerships as an institution for the development of infrastructure of the small business support

Discussions

The study, which is conducted the authors of this article, is fundamentally different from existing approaches to the organization of modern public-private partnership. The main difference is that in this study the public-private partnership is seen as an institution of the infrastructure to support the development of small business, one of the most important elements of the mechanism of development of a modern system of organization and management of the services sector.

Previously, certain provisions of this research have already been reflected in the publication of some authors of this study (Rudenko et al., 2015), Rudenko & Zhidkov (2015) and caused a certain scientific and practical interest. In this article, the generalization of the accumulated results of the analysis of the scientific and methodological materials in creating and improving the system of partnership between the private sector and the government to support small businesses in the service sector are done.

Conclusion

Thus, summing up, it may be noted that the public-private and municipal-private partnership of the private sector and the state - are legally binding social and economic relations that could stimulate the development of an infrastructure of the small business support, based on risk-sharing participants aimed at socio-uniform economic development of regions, innovative industries, social services, export-import operations, the priority sectors of the economy, to stimulate the production of new products and services as well as expanding the range of public and municipal services and their accessibility to the public and private entrepreneurs.

The formation and the development of institutions of public-private partnerships and municipal-private partnership is a promising direction, which is possible if the development of an appropriate legal framework and guidelines for the implementation and management of such partnership projects, training of specialists of local authorities and executive authorities, as well as private partners competences for making project decisions, building an effective project teams, implementing the principles of project management to the work of the relevant structures in the regions, based on a systematic approach to project management of public-private partnerships and municipal-private partnerships, further effective organizational, informational, legal and methodological support for the implementation of projects.

Disclosure statement

No potential conflict of interest was reported by the authors.

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