Mechanisms of public-private partnership and ensuring innovation and investment activities in the region

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Abstract. In the paper the analysis of public-private partnership (PPP) in Russia and its regions is carried out. Based on the example of one of the most investment-attractive regions - the Krasnodar region - the in-depth review of the main financial and investment statistical indicators of the formation and operation of PPP was conducted. It is noted that due to the fact that regional legislation in the sphere was ahead of the approval of the Federal law, this led to some differences in approaches to the formation of PPP and system errors. It is emphasized that the greatest differences in approaches to PPP are observed in the formation of innovative projects, as in the absence of Federal legislation on innovation, there are errors of institutional and categorical nature, as a result of which projects of the traditional social and communal direction are sometimes called “innovative”, and they include them in statistics. As a result, it is proposed to introduce a rating by region not only on the level and volume of PPP, but also on the volume of real innovative projects and indicators of innovative development of the region, reflected in the corresponding Strategic program.

1. Introduction

Our country is on the path of developing an evolutionary economy based on the socio-economic and innovative development of society. Any development requires changes in a variety of industries in the country and regions, which is achieved through the development of projects, as current, “standard” - social and communal: transport, housing, ecology, production, resources, food, services, etc., and this requires huge investment resources. In addition, our country has embarked on the path of innovative transformation, and, although with many mistakes, it is still moving towards sustainable innovative development of the economy. All projects, both “traditional” and especially innovative, contain a lot of risks, which, as practice has shown, are often an insurmountable barrier for projects of purely state execution. Public-private partnership (PPP) is one of the methods and tools for reducing risks by sharing them equally with a partner-private investor.

At the present stage of development of world economic relations and globalization processes, the institutionalization of public-private partnership mechanisms as a tool for improving the efficiency of investment activities is a means of socio-economic development of the country, regions and municipalities. Budget deficits at various levels do not allow providing further growth in the quality of life of the population. Therefore, the development of public-private partnership is the main direction for most regions and states to increase the level of investment activity.
2. Materials and methods
The research uses institutional and conceptual approaches to the formation of public-private cluster integrated structures, in particular for the conditions of the regional economy, as well as the main provisions, definitions and categories of innovation management, innovation science. In the instrumental and methodological apparatus of the research, the statistical method of information processing and the system method of economic analysis are used. The legal base of the study was made up of legislative documents of the Russian Federation, official documents of state authorities of the Krasnodar region, official materials of the Federal State Statistics Service of the Russian Federation and its territorial authority for the Krasnodar region.

3. Results
Currently, public-private partnership mechanisms are widely used in the Russian Federation and include a number of forms of cooperation that allow the state and the private sector to have mutual benefit, including:
- concession agreements signed in accordance with Federal law No. 115-FZ of July 21, 2005 “On concession agreements” [1];
- public-private partnership agreements, municipal-private partnership agreements signed in accordance with Federal law No. 224-FZ of July 13, 2015 “On public-private partnership, municipal-private partnership in the Russian Federation and amendments to certain legislative acts of the Russian Federation” [2].

Public-private partnership mechanisms allow attracting private investment and expertise on favorable terms to create high-quality public infrastructure and provide various services based on the property being created in accordance with the established time frame and budget.

Thus, the volume of investment commitments made under the signed concession agreements (CA) is about 1.6% of GDP for 2019. For comparison, in the UK, this level is 6.6% of GDP, in Australia and New Zealand – 6.9% of GDP, and in Canada – 8.1% of GDP. This indicates an insufficient level of investment in infrastructure through concessions.

Almost all subjects of the Russian Federation (with the exception of four) use the CA mechanism to create or reconstruct infrastructure facilities. For example, the number of agreements implemented on the principles of public-private partnership in the Krasnodar region as of 01.01.2020 amounted to 42 agreements, 41 of them are in infrastructure [3]. Only 10 regions (12%) have more than 100 CA (including municipal concessions). This indicates the undisclosed potential of the CA mechanism for the establishment of regional infrastructure.

The Russian Federation is experiencing a lack of investment in infrastructure facilities. Between 2020 and 2040, this shortfall will amount to 1.9% of GDP annually, according to GlobalInfrastructureHub [4]. At the same time, in Australia and New Zealand, this level for the same period will be 0.36% of GDP, in the UK – 0.16% of GDP, and in Canada – 0.04% of GDP.

The largest amount of investment (42%) is provided within the framework of agreements signed at the Federal level, of which transport infrastructure accounts for 96%. At the same time, the largest number of CA is signed at the municipal level (94%), of which the utility sector accounts for 93%.

The market for large CA is relatively small in quantitative terms – only 32 CA with investment volume of 10 billion rubles (1% of the number of CA) and 93 CA with investment volume of 1 to 10 billion rubles (3%) have been signed.

More than 70% of CA investments are non-budgetary investments, which currently amount to more than 1.2 trillion rubles.

The volume of off-balance sheet budget obligations for CA in the Russian Federation reached about 560 billion rubles by the end of 2019, or 0.5% of GDP for 2019, according to InfracONEReview [5]. The budget risk assessment for CA made by NACLI (national Association of concessionnaires and long-term infrastructure investors) is 320 billion rubles, or 0.3% of GDP for 2019.

The probability of default for the global public-private partnership (PPP) market, including concessions, over the next 10 years, according to Moody’s, is no more than 3.8%, and the recovery rate in case of default is on average 79.3%.

CA, which were signed by results of the held competition, accounts for about 19% of the total investments in CA, with the only bidder – 43%, according to the decision of the Supreme Executive authority – 38% (of which 26% are adopted in the framework of private concession initiatives in the absence of bids from other participants, and 6% in terms of the transformation of the lease concession,
6% – with the concessionaire determined by the decision of the Government of the Russian Federation).

In total, almost 1000 CA (33%), which form 61% of the investment volume for all CA, are currently at the initial stage of implementation – the design or construction of CA facility.

Out of the total number of signed CA – 10 are signed for more than 50 years (0.3%). At the same time, the average term of CA is 12 years, and the average term of CA in transport is 21 years, in the social sphere – 22 years. 144 contracts were signed for a period of less than 3 years (5%).

Agreements on PPP, MPP (municipal-private partnership) in Russian practice are few. At all administrative levels, only 25 such agreements have been signed, accounting for about 60 billion rubles of investment obligations.

In order to increase the attractiveness of the CA and agreements of PPP, MPP for private investors and increased flow of extra-budgetary funds in infrastructure development in the implementation of long-term investment projects the draft Federal law “On amendments to certain legislative acts of the Russian Federation to improve mechanisms of state-private partnership” developed by the Ministry of Economic Development must be approved. The draft law also provides for the improvement of competitive procedures, the procedure for private initiative and forms of state support for PPP projects. Such a bill is relevant, due to the uncommon discrepancy between regional laws on PPP and Federal ones adopted later. Mechanisms for applying PPP in the regions have quite a lot of features, which are manifested mainly when investing in innovative projects. Let us consider regional features of PPP mechanisms on the example of the Krasnodar region.

Krasnodar region is known as a region with comfortable conditions for doing business and a well-developed institutional environment. In terms of the quality of the investment and business climate, it has been among the leaders of the country’s regions for many years. Over the past 3 years, Krasnodar region has traditionally been ranked 7th in the National Rating of the Investment Climate in the Russian Federation. At the St. Petersburg international economic forum held in May 2019, updated results were announced – Kuban improved its position in the competitive race with other regions, rising from 7th to 6th place. [6]

Only 4 regions, in addition to the Krasnodar region, were able to stay in the top 10 for 5 years of the National Rating (2014-2018) (Tatarstan, Chuvashia, Kaluga and Tula regions). This is evidence that the ongoing efforts to create favorable conditions for investment and business activities are highly appreciated by the business community.

The growth rate of investment in fixed assets, excluding investment by infrastructure monopolies and Federal budget funds, in real terms (the base value is the average for 2015-2017). At the same time, the priority is to achieve this indicator by 2024 at 39% (figure 1).

To facilitate making of motivated decisions by business entities in the field of investment, systematic work is constantly being carried out to develop an open information environment. The region has created and successfully operates a single information space (“investment network”) for investment activities. Working with investors (including potential ones) is based on a clear algorithm.

**Figure 1. Growth rate of investment in fixed assets.**

The investor is provided with a wide range of information and consulting services, including providing information about the advantages of a particular municipality, the prospects for the development of various industries, and existing forms of state support. One of the priorities of the investment policy is to support investment projects. It is also implemented at both the regional and municipal levels. Since May 2018, the Krasnodar region has implemented a new mechanism for supporting investment projects. On the basis of the “Business Development Fund of the Krasnodar region”, the Center for Investment Project Support (CIPS) was created. CIPS specialists support investment projects with capital investments of up to 5 billion rubles (over 5 billion – support is provided by the Department of Investment and Development of Small and Medium-sized Enterprises...
of the Krasnodar region). At the same time, 428 projects are in the active stage of implementation of large (over 100 million rubles) investment projects (figure 2).

**Figure 2.** Major investment projects to be implemented in 2019.

Krasnodar region has a multi-level system of state support for investment and business entities. The existing mechanisms of state support and preferences in the Krasnodar region are based on business requests.

The weak point in the development of PPP, both in the regions and in the country as a whole, is shown when investing in innovative projects. One of the obvious reasons that lies “on the surface” here is the lack of a legislative foundation for innovative development at the Federal level. The situation looks quite absurd if we take into account the fact that in recent years the basis of the country’s strategic development has been the innovative economy. The absence of a legal innovation space not only distorts some strategic mechanisms, but also, as a result, causes a lot of contradictory definitions of the categorical apparatus of innovation, which undermines the theoretical foundations of innovation, but, most importantly, leads to significant economic consequences that can be considered and evaluated by the example of the strategy of innovative development in 2020, which “quietly ended”, moving to subsequent programs [7]. Without analyzing the mistakes made and incomplete problems, there are still risks of “falling into the same rake” [8]. Unfortunately, the new concept of the innovation development strategy still has many unresolved problems, as there is no Federal law yet, and regional legislation does not always reflect the required categories, besides remaining in the “framework” implementation (without affecting the investment and financial side of the legislation). As a result, up to 30 definitions of innovation are used in various legislative documents today, that has practical negative consequences. For example, the category “work” is reflected as an innovative product, or official’s managerial decision is “counted” as innovative. The worst thing is when officials “set up” their managers, when they give them statistical reports about a lot of innovations that, at best, turn out to be new things (which can still be “dusting on the shelves” for years, while the sign of innovation is the development of the market).

According to various estimates, today the legal field of our country lacks at least 10 laws, the leading one of which should be the law on venture investment, including in the framework of PPP and CA. It is well known that success in the field of innovative development abroad, especially in the United States, is determined by venture investments made by private partners, funds, banks and “business angels” (private individuals-potential PPP participants), who can form their own unions. The difference between venture capital principles (mechanisms) of investment: replacement of material collateral for intellectual property (in the form of a patent, patent license, and notarized calculation of the license price); replacement of Bank interest for royalties - the planned percentage of income from the implementation of innovations in the market. Obviously, from the moment when these two simple principles would work in Russia, real and full-fledged innovative development began in our country, as this way two main “barriers” would be removed on the way of venture enterprises to investment. These two principles not only simplify the investment situation, but also increase trust between partners, without which long-term projects are not even conceivable. Innovative projects, in most cases, have a shorter duration (usually from 2 to 10 years) than traditional (“utility”) PPP projects, but, due to the novelty, the volume of risks for innovative projects is usually much greater. Therefore, it is especially important to the insurance project, why it is necessary in each region to create (expand) a specialized insurance company. Taking into account the need to ensure continuous
growth of innovative development, we need to create at least one venture investment company in each region (with a potential of 1-3 billion rubles) and one insurance company working with an investment company in a cluster integrated “bundle”. The network of such investment cluster structures created in the country will become the “driver” of the entire innovative economy.

It is important to emphasize here another feature of venture (innovative) investments: the calculation of the mortgaging price of a patent license is carried out according to a standard method, for example, according to [9-p. 128]. Currently, it is common (including in some universities) to calculate the price of a patent license based on the direct costs of applying for and creating a sample of innovation, while having “kopecks”, i.e. creating a very low motivation for participants in the innovation process. At the same time, the standard method allows calculating the price of a license taking into account the cost of production, its production volume, the term of the patent and the amount of royalties. In the case of serial and mass production of products under patents, as well as at a high cost in a single production, the sum of “units with many zeros” is obtained.

Lack of knowledge of such simple calculations, perhaps one of the reasons for the practical absence of the intellectual property market in our country, is also the reason for low motivation. However, of course, there are a number of other reasons, including those of a systemic nature (as the General Director of Rospatent G.P. Ivliev writes [10]), which are also based on the lack of a legal framework, infrastructure, organizational and methodological development, especially for the regions. For this reason, the economy of the country (and the regions in particular) is constantly losing huge amounts comparable to the size of the budgets of regional entities. Although the solutions here are quite orthodox for the regions: the organization of special centers for the commercialization of intellectual property on the basis of universities and research institutes. Centers can be created, among other things, as PPP. Creation of the Federal Center for Commercialization of Intellectual Property Results: intellectual property and intellectual innovative products - results of innovative projects - on the basis of the Federal Institute of Industrial Property (FIIP) in Rospatent. At the same time, FIIP, due to well-established commercial activities, will not only become motivated to work, but it will be possible to reduce patent fees. At the same time, FIIP will have a new function: searching for investors and arranging license (concession) agreements. The result will be an increase in the activity of inventors, an increase in the flow of patents and innovations. Everyone will benefit; the main thing is that the country will be provided with innovative resources in abundance [11].

Surprisingly, today the budgets of regions (and countries) do not have revenue items from the potential of innovations developed in the budget period under review and do not take into account the volume for the commercialization of intellectual property, while these values could compete with the volume of revenue items in the budget. It is also surprising that today the rating of the head of the region is formed only in terms of PPP volumes in standard (not innovative) areas: housing and utilities, transport, and energy. It is necessary to introduce a separate rating for regions, which will take into account exclusively the development of innovative projects for all economic, financial, organizational indicators (of course, it is necessary to “filter” all attributed to innovative projects by the criterion of innovation management [9]). This can thoroughly serve to solve the main strategic tasks of innovative development of both regions and the country as a whole.

4. Summary

Thus, the creation of PPP both in the country and in the regions contributes, in general, to solving investment problems, especially in long-term and risky projects. At the same time, the mandatory conditions of trust, equality and “transparency” in the activities of partners must be met. It is necessary to adjust and agree on the terms of regional PPP contracts signed before the release of Federal legislation in 2015. It is necessary to review and “filter” real innovative projects thoroughly; separate accounting of them among all PPP projects. It is advisable to develop and approve at the Federal level a regulation on monitoring the regional rating of innovative projects in the total volume of PPP, but the innovative project must meet the criteria for innovation management. The rating of innovative projects will reflect the level of innovative development of the region and will serve to solve the country’s strategic tasks.
5. References

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