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### Modern Tools for Sustainable Development of Territories. Special Topic: Project Management in the Regions of Russia

#### PPP AS A TOOL OF INNOVATIVE-TECHNOLOGICAL DEVELOPMENT OF RUSSIA AND ABKHAZIA

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#### *Abstract*

The article highlights the general signs of public-private partnership (PPP), which differ from similar forms of relations between the state and business. The specifics of the development of PPPs in the Russian Federation was studied with distinguishing the existing shortcomings and development priorities. The features of the implementation of national projects through the institution of PPP in the framework of the digital economy are considered. The importance of the digital economy is emphasized in the gradual transition to a qualitatively new level of application of information technology in all spheres of life. The main factors of slowing down innovative mobility and the development of modern information technologies are identified. General problems in the field of digital economy implementation and directions for their minimization are presented. Directions for the successful implementation of innovative programs in the development of the digital economy of Russia are proposed. The basic criteria for choosing a project in the field of public-private partnership are highlighted. The main advantages in the application of PPP are proposed. The importance of developing and using PPP mechanisms in the economy of Abkhazia, aimed at improving investment processes, attracting additional resources and improving the quality of services in the socio-cultural sectors, is emphasized. It is concluded that an effective PPP model is aimed at reducing government spending in the development of digital infrastructure and ensuring the maximum interest of private investors. Potential development opportunities in the field of PPP are highlighted in the framework of international cooperation between Russia and Abkhazia.

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**Keywords:** Criteria for choosing a PPP project, digital economy, international cooperation between Russia and Abkhazia, public-private partnership.



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## 1. Introduction

In recent years, the concept of public-private partnership (PPP) has become increasingly important in most countries with a market economy. The term “public-private partnership” appeared in the early 80s of the XX century to describe special public-private relations for the development of infrastructure in the production and social sphere (Fomina & Kochetkova, 2017). This primarily applies to aviation, maritime, automobile and railway transport, electric power, education, healthcare, culture, housing and communal services and telecommunications facilities (Nikonova, 2010). Hence, it can be argued that PPP was and is a special form of cooperation between the state and business, aimed at the overall implementation of projects of socio-economic importance.

Highlighting the common features inherent in PPPs, the following can be noted: government bodies and representatives of business structures are equal participants in the partnership; PPP, as a rule, is implemented in areas of high socio-economic importance for a specific territory; such projects have a relative duration of implementation (at least 10 years); potential risk situations and possible costs are distributed between the parties on a contractual basis, etc. (Panferova, 2016).

Thus, the concept of PPP becomes one of the effective mechanisms for balancing the public interests of the state and the commercial interests of private investors in scientific and technological development as a real mechanism for solving scientific and technological problems. There is an objective need to develop new elements for solving problems related to the active use of modern PPP mechanisms, including projects in the framework of the response of Russian society to the great challenges of the country's scientific and technological development. The development of mechanisms for reconciling the public interests of the state and the commercial interests of private investors in scientific and technological development are very relevant and are of fundamental importance.

## 2. Problem Statement

The analysis of the current state of research in this area revealed that the problems of PPPs are relevant, as evidenced by the large number of scientific publications reflecting the accumulated experience in implementing PPPs abroad and the constant interest of leading researchers and scientific schools of economically developed countries in determining the prospects of individual countries and industries to the creation of PPP projects.

Modern research confirms the scientific and practical significance of the research topic for the Russian Federation and Abkhazia. The need for empirical, theoretical and practical substantiation of the importance of public-private partnerships aimed at increasing the effectiveness and efficiency of economic entities working in the foreign economic sphere of Russia (Agazaryan, 2017), as well as the insufficient methodological and instrumental support of PPP projects for the purpose of increasing the country's international potential, underline study relevance.

## 3. Research Questions

What are the specifics of the development of PPP in the Russian Federation in the digital economy?

What is the importance of developing and using PPP mechanisms in the Republic of Abkhazia?

What are the opportunities for the development of international cooperation between Russia and Abkhazia in the field of PPP?

#### **4. Purpose of the Study**

Justification of the importance of the development of PPPs as an instrument of innovative and technological development of Russia.

Justification of the importance of applying PPP in the development of the economy of Abkhazia.

A study of the current state and development trends of the digital economy in the Russian Federation, affecting the implementation of PPPs.

Description of common problems in the development of PPPs in Russia and Abkhazia, including in the digital economy format, directions for minimizing their negative impact.

#### **5. Research Methods**

The set of research methods is formed using theoretical and methodological principles presented in works on economic theory, management theory, organization theory, public administration and entrepreneurship.

In the research process, historical, systemic and institutional approaches were used, as well as methods of structural and comparative analysis.

#### **6. Findings**

##### **6.1. Specifics of the development of public-private partnerships in the Russian Federation**

In the case of the Russian Federation, PPPs are typically characterized by the following forms: concession agreements; production sharing agreements; investment contracts; leases with investment obligations; joint venture agreements; various mixed contracts; service contracts.

The use of relevant regulatory legal acts is necessary to establish the rights, duties and responsibilities of public and private partners implementing jointly PPP projects on the Russian territory.

Despite the long work on the implementation in various fields, PPPs in Russia enter the economic activity with difficulties, progress in the development of which is impossible without resolving the inconsistencies of the legislation (Boris & Ustaev, 2019).

Improving the legal support of public-private partnerships in the Russian Federation requires the implementation of the following measures: removing legal barriers when using various PPP tools; development of the legislative framework taking into account the specifics of social sectors; establishment of guarantees by the state in case of force majeure situations; legislative consolidation of the regulation on the distribution of risks between participants in the partnership, etc. (Egorov & Minina, 2018).

The existing potential for using PPP projects in Russia, in addition to infrastructure modernization, is also associated with improved management efficiency and quality, which are the most important areas

of research (Parakhina, Ustaev, Boris, Maximenko, & Belousov, 2017), the results of which determine the principles of reforming public administration institutions. We can single out the introduction of digital technologies in the system of public administration and the provision of public services among the priority areas of this program. At the same time, successful implementation of the program is impossible without reaching an optimal solution in determining the strategic goals of the model of socio-economic development, based on a fundamental understanding of the role, tasks and functions of the state and business in the digital economy format (Smotrinskaya, 2018).

In general, we have to admit that the effectiveness of the overall management system for scientific and technological development (STD) and the formation of a rational innovative system of the country continues to be only a challenge for the Russian Federation. The solution to this issue remains open and very relevant for today and is possible only with the effective implementation of the existing STD Strategy, which defines the system contour of the scientific and technological policy and is aimed at building and most fully utilizing the innovative potential of human capital in the country's economy (Sergi, Popkova, Bogoviz, & Ragulina, 2019), first of all, due to the formation of a modern and rational management system in the field of science, technology and innovation (Popkova, Popova, & Sergi, 2018). The question of how effectively the approach to building a scientific and technological policy will be presented in specific projects and directions as a response to existing “big challenges” remains unresolved (Popkova & Sergi, 2018).

Thus, it is important to stimulate the development and implementation of advanced technologies, including in the framework of PPPs, which are characterized by a high degree of productivity and capable of providing significant contribution to the country's scientific, technological and economic growth in order to formulate a response to the challenge of maintaining competitiveness and achieving relatively high rates of productivity within the framework of the scientific and technological policy.

Thus, PPP has the opportunity to become a necessary element in the modification of the public administration system, as a modern concept of relations between business and the state, capable of an active and rational transformation in the country's economy.

## **6.2. The importance of developing and using public-private partnership mechanisms in the Republic of Abkhazia**

The system of interaction between government bodies and business, aimed at solving significant social problems in the Republic of Abkhazia, is gaining more interest and is becoming the subject of active discussions, but is still under development.

The need to develop and implement PPP mechanisms in the Republic of Abkhazia is becoming increasingly relevant, which is confirmed by the processes of institutionalization, as well as program documents of the Government of the Republic of Abkhazia, ministries and departments (Druganov, 2013).

For Abkhazia, the PPP tool is relevant, first of all, due to the inability to implement large-scale projects only at the expense of the state budget. So, PPP can be successfully used to restore the destroyed infrastructure (Abkhaz railway, territory of the Sukhumi port or airport), in the energy sector and in other

areas where, for one reason or another, full privatization of strategic objects is undesirable (Nasirov, Serdyuk, & Moiseenko, 2015).

According to the results of a seminar conducted by specialists of the Russian investment consulting company Transproject Group in the capital of Abkhazia to describe the mechanism of public-private partnership and the possibility of its implementation, it was concluded that it is impossible to develop PPP mechanisms without creating a stable educational base and the absence of a legislative framework (Russian-Abkhazian Business Council, 2019).

In particular, the negative sides that impede the practical application of PPP forms and mechanisms in the Republic of Abkhazia in the field of the legal framework include: the lack of tools to ensure the stable fulfillment of all conditions of the contract during its term; lack of clarity in the division of rights, duties and responsibilities of partners, as well as the resolution of possible disputes; the need for formalized tools and guarantees for the implementation of the PPP project, as well as the implementation of the obligations undertaken by both parties to the partnership; the need for a clear procedure for the provision of plots for the implementation of projects. The identified problems give rise to the urgency and need to improve the regulatory framework that allows the private sector to make investments in socially significant projects on returnable conditions.

The practical aspects of using digital technologies in the public administration system of the Republic of Abkhazia are also important today, in particular in the tax and banking sectors. Since digital technologies in public administration contribute to the prospective growth of sectors of the national economy and improve the quality of public services and public administration.

Thus, the use of PPPs in the Republic of Abkhazia seems to be an important tool for the successful implementation of infrastructure projects and gives a cumulative effect on the interaction between the public and private sectors, both of them are useful, but for a start it is important to work out a regulatory framework and develop a stable educational basis. PPPs have good prospects, if the goal is the real achievement of growth in matters of economy and state property in Abkhazia and the improvement of the local investment climate.

### **6.3. Opportunities for the development in the field of public-private partnership in the framework of international cooperation between Russia and Abkhazia**

With the elimination of the indicated formal and restrictive measures in the development of PPPs in Russia and Abkhazia, it is possible to use models in the framework of international cooperation. For example, despite the relatively high socio-economic importance of tourism in Abkhazia, today there are a number of problems in the development of this industry. This may include problems in logistics, insurance, service and a lack of qualified personnel. For the southern regions of Russia, steps, focused on the international promotion of tourism and recreation complex products through their diversification, improving quality and developing brand management of tourism services in the country remain important.

The use of PPPs in Russia and in the Republic of Abkhazia will become a factor in the successful implementation of large socially significant projects and infrastructure transformations, and will also achieve certain advantages for both the public sector and business (Parakhina, Shalashaa, & Ustaev, 2018).

Assessment of the comparative effectiveness of PPP projects is an important part of the decision-making process on choosing one form of their implementation or another. A number of basic criteria for evaluating PPP projects should be used at each stage of the assessment.

The following basic criteria for selecting a PPP project can be distinguished (Table 01).

**Table 01.** The main criteria affecting the choice of a PPP project

Participants	Important aspects	Characteristics
State	Financing costs	The importance of finding a balance between equity efficiency and a shorter debt maturity can contribute to higher tariffs for users
	Development costs	Reducing the costs associated with legal advice, development fees and the costs of carrying out the procedure for compiling an objective representation of the investment object
	Insurance	Relatively expensive insurance policies to minimize the risks associated with construction and operation, as well as a number of specific types of risks
	Construction costs	Significant reduction in construction costs, as part of the resources comes from the private sector
	Project management	The private sector provides strict control over the current component of the project
Business and state	Risk distribution	The main factor in the agreement on joint investment of funds is the effective distribution of risks between participants in the partnership
Business	Taxes	Providing tax incentives for business
	Responsibility	Business is obliged to solve possible environmental and social problems
Society	Taxes	Increased tax burden due to the lack of the necessary level of compensation from invested funds
	Access to quality or new services	Providing the public with a wide range of high quality services

Thus, the following advantages in the application of PPPs can be noted: increased efficiency of the stages of the project; additional sources of financing; the use of modern advanced technologies necessary to achieve goals and solve problems.

It is clear that, despite the steps taken by the authorities, the mechanism for initiating and financing PPPs is still not perfect in the Russian Federation (Arzumanyan, 2017). In the Republic of Abkhazia, PPP is still at the stage of active discussions. PPP contributes a new source of investment and levels the costs of government. The underlying factor contributing to the partnership is the fact that there is potential benefit to all participants in the partnership. When implementing PPPs, it is necessary to avoid the dominance of the interests of the authorities and ignoring the interests of private business. The formed regulatory field should be focused on the search for this balance.

## 7. Conclusion

PPP is one of the modern and effective mechanisms for balancing the interests of the state and the business community. The system-forming positive feature of this interaction is the reduction of the load on the state budget by shifting part of the costs to investors.

The main goal of PPP in modern conditions is the mobilization of raw materials, material, production, financial and labor resources, as well as the attraction of additional extra budgetary financial sources for the implementation of significant economic projects and programs in various areas of the national and regional economy and involving the implementation of both social and industrial tasks of an innovative nature. It is important to further develop PPPs in Russia, the formation and functioning of this mechanism in the Republic of Abkhazia, which is now positioned as one of the most effective tools for coordinated interaction between the state and the private sector in various sectors of the national economy and its modernization on an innovative basis.

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