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## **Public Private Partnership as a Tool for the Development of Educational Infrastructure**

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### **Abstract:**

**Purpose:** The national project "Education" defines the vector of the development of the Russian education system for 2019-2024. In order to achieve its goals, tasks and indicators, it is necessary to attract investments and competencies of the private sector on the basis of public-private partnership.

**Design/Methodology/Approach:** In the course of the study, there were used methods of system analysis, methods of scientific analysis, induction and deduction, comparison and grouping as tools of scientific research.

**Findings:** The article proves that the Russian regions need additional investments to create a modern educational infrastructure and its maintenance. This is connected with the predominant financing of current costs from the consolidated budgets of the subjects of the Russian Federation on pre-school, general and vocational education, the demographic situation and the differentiated level of socio-economic development of the regions.

**Practical Implications:** Authors proposed an activity contributing to the development of public-private partnerships in the subjects of the Russian Federation, providing the formation of a modern educational infrastructure.

**Originality/Value:** The study presents the original approach in development of public-private partnership in the context of modern legal incentives in Russia.

**Keywords:** National project, federal projects, financing, budget costs, private investments, concession agreements, educational infrastructure, model projects.

**JEL Codes:** H41, H52, I22, I25.

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## 1. Introduction

In today's world, information becomes the basis for the economic development. Therefore, society is moving towards the society of information type, which radically changes the role of education in the structure of social life, in the development of social and economic processes. The most important value of society is a person who is able to find and learn new knowledge, sometimes making non-standard decisions, but at the same time who is able to feel, think, empathize, see and appreciate the beauty of the world and human relations. The education system is aimed to ensure the cultural and personal development of a person, forming in him/her the ability to objectively determine the future, to believe in him/herself and him/her needs, to be responsible for his/her acts. As a condition for maintaining the stability and dynamic socio-economic development of society, education contributes to the promotion of the state in the global markets of new technologies, new products, labour, becomes one of the key elements of its geopolitical and economic strategies.

The growing role of education in creating the foundations of stability of socio-economic and spiritual development, ensuring a high standard of life for Russians, strengthening the democratic-law state, and the formation of civil society requires adequate financial support. Table 1 shows the dynamics of budget costs of the consolidated budget of the Russian Federation for 2012-2017, which indicates an annual increase in costs on education except 2015.

It should be noted that during the analyzed period the costs of the consolidated budget increased by 1.39 times, and costs on education increased by 1.28 times, that is, costs on education had a lower growth rate. The maximum share of costs on education in the consolidated budget of the Russian Federation in 2013 was 11.4%, the minimum one in 2016 was 9.9%.

**Table 1.** Dynamics of costs of the consolidated budget of the Russian Federation for education for 2012-2017

Years	Budget costs, total		including education costs		
	billion rubles	in % to the previous year	billion rubles	in % to the previous year	specific weigh, %
2012	23 174,7	-	2 558,4	-	11,0
2013	25 290,9	109,1	2 888,8	112,9	11,4
2014	27 611,7	109,2	3 037,3	105,1	11,0
2015	29 741,5	107,0	3 034,6	99,9	10,2
2016	31 323,7	105,3	3 103,1	102,2	9,9
2017	32 395,7	103,4	3 264,2	105,2	10,1

The need to form a new, relevant to modern realities quality of education is stressed by the President of the Russian Federation in the Decree "On national goals and strategic tasks of the development of the Russian Federation for the period up to 2024". Ambitious goals and tasks are contained in the national project "Education":

- ensuring the global competitiveness of Russian education, the entry of the Russian Federation into the top 10 countries in the world in terms of quality of education;
- education of harmoniously developed and socially responsible person on the basis of spiritual and moral values of the peoples of the Russian Federation, historical and national traditions (Decree of the President of the Russian Federation).

The transition of the education system to a new qualitative stage of the development will require additional budgetary and extra-budgetary funds. During 6 years it is planned to allocate 723.3 billion rubles from the federal budget for the implementation of the national project "Education", including in 2019-2021 it is planned to allocate 362.2 billion rubles. It includes 10 federal projects, 4 of which are formed on the basis of priority projects in the field of education implemented since 2016:

- the federal project "Modern school" is aimed at creating a modern educational environment for schoolchildren;
- the federal project "Success of every child" will provide children with affordable additional education;
- the federal project "Young professionals" is aimed at creating a modern digital educational environment in the higher education system, improving the competitiveness of vocational education;
- the Federal project "Education export" makes it possible to develop the export potential of the Russian education system.

For these 4 federal projects in 2019-2024, 583.1 billion rubles will be allocated from the Federal budget, which is 80.6% of the total funding of the national project "Education". In 2019-2021, it is planned to allocate 296.8 billion rubles for the implementation of these federal projects. Another 6 federal projects can be attributed to the new ones, their implementation will fully solve the tasks set by the President of the Russian Federation:

- the federal project "Support for families with children" is aimed at creating conditions for the early development of children under the age of 3 years;
- the federal project "Digital educational environment" solves the problem of creating a modern and safe digital educational environment in organizations of general and professional education;
- the federal project "Teacher of the future" is aimed at the formation and implementation of the national system of teachers professional growth;
- the federal project "Social activity" creates conditions for the development of mentoring, support of public initiatives and projects, including in the field of volunteering;
- the federal project "New opportunities for everyone" solves the problem of forming a system of continuous updating by working citizens of their professional knowledge and getting new professional skills;
- the federal project "Social lifts for everyone" allows to form a system of

professional competitions in order to provide citizens with opportunities for professional and career growth. 140.2 billion rubles will be allocated from the federal budget for 6 listed federal projects in 2019-2024, that will be 19.4 % of the total funding of the national project "Education".

## **2. The Necessity to Develop Public Private Partnership in the Russian Regions within the Framework of the National Project "Education"**

Since national projects are aimed at achieving national goals and strategic tasks of socio-economic development of Russia, business (entrepreneurs, the private sector) can also participate in their implementation. The study of the national project "Education" allowed to identify four groups of activity, the participation of business in which will bring a mutual positive result:

- the first group of activity provides for the involvement of public business associations and representatives of employers in the updating of educational programs, career guidance, making the decision on the management of educational institutions;
- the second group of measures is related to participation in public procurement to update the material and technical base of rural schools, to create modern workshops in professional educational organizations, equipping centers of advanced training;
- a third group of measures is associated with the use of the mechanism of public-private partnership;
- the fourth group of activity is aimed at attracting the expertise of public business associations to develop legal acts regulating various aspects of educational activity: the formation of the "target capital", the conception of a multifunctional college, rules of lessons on the basis of enterprises of the real sector of the economy with high-tech jobs, etc., the introduction of mentoring and patronage into the system of secondary vocational education.

We believe that the regions should be primarily interested in the third group of measures because they need long-term investment into educational infrastructure. This is due to the fact that the main burden on the financing of education falls on the consolidated budgets of the subjects of the Russian Federation. According to our calculation almost 95 % of all costs on education comes from current costs on pre-school, general and vocational education. During 2013-2017 the share of costs of the consolidated budgets of the RF subjects for education in the costs of the consolidated budget of the RF ranged from 80.1% to 82.4%, that is reflected in the data of Table 2.

Table 2 shows that during the analyzed period the costs of the consolidated budgets of the RF subjects for education increased annually in absolute terms, except 2015. In relative terms, costs for education were a little higher than a quarter of the consolidated budgets of the subjects of the Russian Federation. It is possible to stress

their stable and priority character for regional authorities that is also connected with the expected growth of the contingent in system of preschool and the general education.

**Table 2.** Dynamics of costs of the consolidated budgets of the RF subjects for education in 2013-2017

Years	The cost CB of the subjects of the Russian Federation, billion RUB.	incl. education costs			weight share in education costs of CB of the Russian Federation, %
		billion rubles	in % to the previous year	unit weight,%	
2013	8806,6	2333,8	-	26,5	80,1
2014	8353,3	2474,3	106,0	26,5	81,5
2015	9479,8	2472,5	99,9	26,1	81,5
2016	9936,4	2546,9	103,0	25,6	82,1
2017	10810,1	2690,0	105,6	24,9	82,4

We agree with I.M. Shore's opinion that *"...one of the general preconditions for the increase of efficiency of costs of the regional budget is the development of public-private partnership as it allows to use an optimum combination of the state and private resources for the solution of key tasks of the socio-economic development of the Russian Federation. The expansion of involving private business into the formation and reconstruction of the educational infrastructure contributes to the active attraction of investments and increases the efficiency of budget investments"* (Shore, 2016).

It is necessary to pay attention to the differentiation of the subjects of the Russian Federation in accordance with the level of the socio-economic development, and consequently, the provision with educational institutions. For example, in 2016 the provision with children's preschool institutions in the Russian Federation was 66.5%, but there are subjects of the Russian Federation with indicators above the average static: Vladimir Region was 81.9%, Republic of Komi was 86.2%, Vologda Region was 81.6%, Novgorod Region was 85.7%, and there are some regions below the all-Russian level: Kursk Region was 55.4%, Dagestan Republic was 30.7%, Altai Republic was 57%, Zabaikalsky Krai was 57.1%, Karachay-Cherkess Republic was 57.6%. Thus, the regions have different conditions for the implementation of the national project "Education", but all of them need private investment and competence in the development of the education system.

### **3. Organizational-Legal Forms of Public-Private Partnership in Education**

To date, there are a large number of economic, political, institutional approaches to the definition of public-private partnership in both domestic and foreign literature.

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Without considering it in detail, we note *"Public-private partnership is one of the ways that is based on the long-term cooperation between the state and business in the development of infrastructure in society. The private party is involved into the formation of infrastructure, as well as into its subsequent operation, maintenance in the interests of the state. Public-private partnership is a system of relations between private and public parties and it involves the exploitation of the resources of the private party for the modernization or formation of infrastructure facilities or provision of services to society"* (Bovaid, 2004).

Public-private partnership is considered as a tool of social responsibility of business. The presentation of the social sector as an investment project makes infrastructure facility into profitable one and attracts potential consumers. During the implementation of the public-private partnership project, the business uses intellectual resources, goes to the international level of the development, improves its image. The public-private partnership makes it possible to reduce the costs associated with the operation and maintenance of facilities, to save on the scale of production, to apply (use) innovations. The resulting effect of savings can be used to financing other socially significant budget costs. The motivation of the private sector is to generate income from long-term investments, resulting in a higher level of service delivery and wider access to them by society.

The system-building of the state policy in the sphere of public-private partnership is connected with the adoption in 2005 of the Federal law "On concession agreements", which was followed by the development of regional legislation on the participation of public authorities of the Russian Federation in public-private partnership. The Federal law "On public-private partnership, municipal-private partnership in the Russian Federation and on amendments to certain legislative acts of the Russian Federation" from 13.07.2015 acts for the fourth year. The mechanism of public-private partnership allows to implement infrastructure projects into education based on:

- the long-term cooperation between public and private partners;
- the participation of the private partner (business) not only in the formation (design, financing, construction or reconstruction) of the educational infrastructure, but also in its subsequent operation and/or maintenance in the interests of the public partner in order to attract profits;
- the distribution of risks and responsibilities between partners.

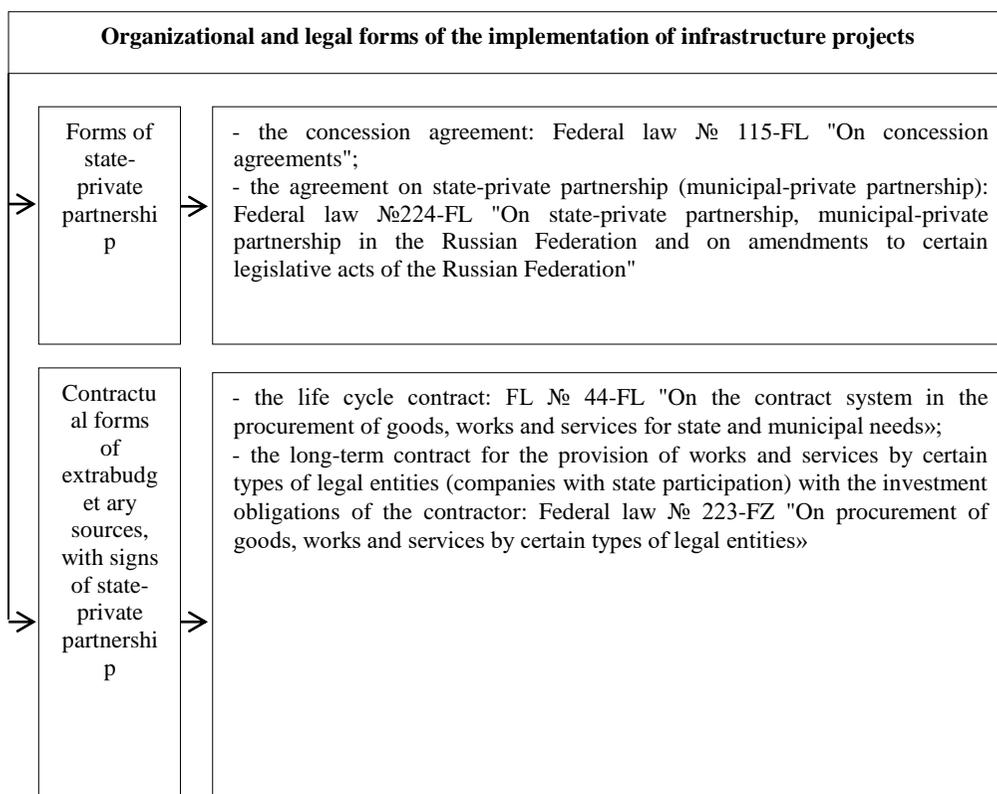
In the Russian Federation, there is a positive dynamics of the implemented projects of public-private partnership in the sectors of heat supply, water supply and sanitation, health service, education, waste management and transport. According to the National center for public-private partnership, in 2016 there were 2186 projects, in 2017 there were 3177 projects, in March 2018 there were 3201 projects, and the private investment of 396 projects into the social sphere was 220 billion rubles. Thus, the number of public-private partnership projects increased by 1015 projects or in relative terms by 146.4%. (National center for public-private partnership).

The advantages for the use of public-private partnership in education are:

- 1) it makes it possible to attract additional financial resources and competencies for the modernization of the material and technical base of education;
- 2) it should provide the timeliness and efficiency of the educational infrastructure, formation of which will improve the quality of educational services;
- 3) the public partner focuses on those functions in which he/she has a comparative advantage over the private sector;
- 4) it reduces corruption due to the openness of the mechanism (Rukina, 2018).

Figure 1 shows the organizational and legal forms of the implementation of infrastructure projects with the involvement of extra-budgetary funds and normative documents regulating them.

**Figure 1.** Organizational-legal forms of implementation of infrastructure projects involving extra-budgetary sources in the Russian Federation



Today the most popular form of public-private partnership relating to practical application is concession agreements, unlike the public-private partnership agreement (municipal-private partnership) within the concession agreement:

- the right of ownership on the object is always retained by the Concedent (the Russian Federation, on behalf of which the government of the Russian Federation

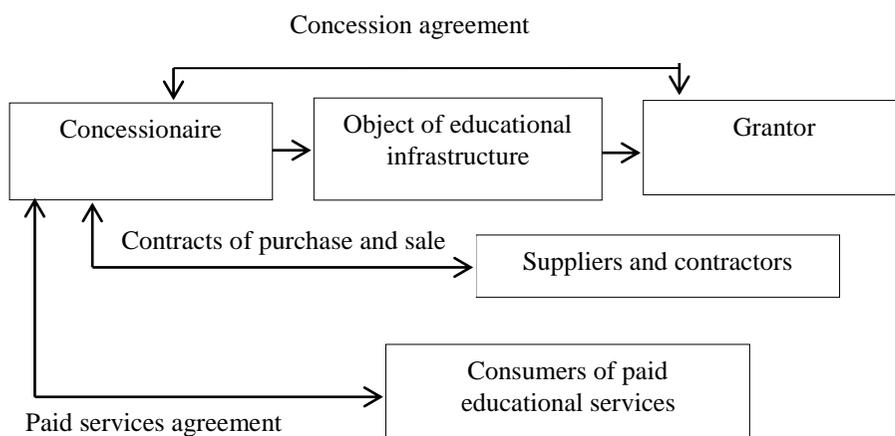
- or Federal body of the state power authorized by it acts; the subject of the Russian Federation, on behalf of which the Supreme executive body of the subject of the Russian Federation or the regional executive body authorized by it acts; the municipality on behalf of which the head of the municipality or the authorized body of local self-government acts);
- the implementation of the target operation (provision of the final service) of the object of the agreement is always assigned to the concessionaire (Russian legal entity, foreign legal entity, (for a limited list of objects), individual entrepreneurs acting without the formation of a legal entity under a simple partnership agreement (joint venture agreement), two or more of these legal entities.

Within the framework of the national project "Education" it is possible to implement following investment projects on the basis of concession agreements:

- building new schools;
- expand the network of technology parks "Kvantorium" with highly equipped disciple-places;
- the establishment of advanced training centres;
- the formation and development of University campuses;
- building modern multi-campus;
- the renovation of University infrastructure;
- the establishment of digital education centres;
- the formation of a Navigator platform and a set of continuing education services.

Figure 2 shows a general scheme for the implementation of the concession agreement for the construction and operation of educational infrastructure.

**Figure 2.** *The general scheme of the implementation of the concession agreement*



#### **4. Conclusion**

It should be emphasized that the implementation of the priority national project "Education" will lead to the expansion of the practice of concession agreements and will require the development of their model projects relating to various objects of educational infrastructure (educational institution, institution of additional education, retraining center, etc.). Of course, a significant event in the public-private partnership market is the launch of projects for the construction of four secondary schools in the Khanty-Mansiysk Autonomous Region within the framework of box credit solutions developed by Sberbank. The cost of four projects is 6 billion rubles, and the amount of loans approved by Sberbank on preferential terms is 3.5 billion rubles (National center for public-private partnership). The first investment project on modernization of educational infrastructure was concluded by Perm State Medical University named after Academician E.A. Wagner. The volume of private investment is 79 million rubles. The Ministry of health service of the Russian Federation considers this project effective and plans to replicate it for the development of infrastructure under the operational management or economic management of other subordinate institutions.

In our opinion, it is necessary to intensify work in the regions for expanding the practice of public-private partnership in the education system on the principles of maximum openness in the following areas:

- ✓ to organize in the Ministry (Department) of education of the subject of the Russian Federation a structural unit, which will regularly deal with public-private partnership issues on the principles of project management;
- ✓ to study the best public-private partnership practices of Russian regions, to promote information about the benefits of regional infrastructure projects in various ways;
- ✓ to make a working group to form proposals for improving the regulatory framework;
- ✓ to monitor the financial and economic condition of economic entities and commercial banks, which should be involved into the implementation of infrastructure projects.

Thus, the development of public-private partnership will combine resources and share risks between public and private partners for the effective implementation of infrastructure projects in education. In future, innovative organizational-legal forms of public-private partnership can be combined with a project approach to the implementation of national socio-economic tasks, which will be the basis for solving strategic and tactical problems of state policy.

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