

---

## **Public-Private Partnership in the Russian Educational System**

---

A.S. Takmazyan<sup>1</sup>, S.N. Rukina<sup>2</sup>, K.N. Samoylova<sup>3</sup>, K.A. Gerasimova<sup>4</sup>

**Abstract:**

*The article grounds the need for private-public partnership development in the Russian educational system.*

*Authors highlighted the issues of state, educational, and business institutions' interaction considering the best foreign experience.*

*Authors suggest more attention to the funding of innovational infrastructure of universities in the context of public-private partnership providing economic stability and increase in budget revenues as well as in social expenditures.*

**Keywords:** *Economy of knowledge, funding, public-private partnership, educational infrastructure, cooperation forms.*

---

<sup>1</sup>Ph.D., in Economics, Associate Professor, Department of Finance, Rostov State University of Economics, Rostov-on-Don, e-mail: [kafedra\\_finance@mail.ru](mailto:kafedra_finance@mail.ru)

<sup>2</sup>Ph.D., in Economics, Associate Professor, Department of Finance, Rostov State University of Economics, Rostov-on-Don.

<sup>3</sup>Ph.D., in Economics, Associate Professor, Department of Finance, Rostov State University of Economics, Rostov-on-Don.

<sup>4</sup>Lecturer, Department of Finance, Rostov State University of Economics, Rostov-on-Don.

## **1. Introduction**

The role of education in the social and economic development is rapidly growing within the conditions of innovative economy and society's formation. This industry generates competences; knowledge is created and disseminated, being the main resource for the society. The effectiveness of the education system is guaranteed by the progressive social and economic development while its main scope is:

- ✓ education and training to contribute to the human capital formation;
- ✓ R&D and innovation;
- ✓ IT and computers.

The knowledge economy or a knowledge-based economy differs from the previous development in stages since it has been supplied not only by external but also by internal non-material factors. Knowledge and the human capital are the key factors in the knowledge economy. The process of globalization, the emergence of a new economy based on knowledge and information technologies objectively put forward its intellectual and educational potential as a key resource for economic growth improving the welfare of the state. In this regard, the development of the education system acquires a strategic importance and becomes the main tool for ensuring high competitiveness.

The strengthening of the knowledge's role in social development as well as the gradual transformation into fixed capital, fundamentally differentiate the role of education in the structure of social life in the modern world. As a fact, different countries and states have a significant particularity that indicates the educational system in the social structure. However, the emergence of a new information civilization affects all countries, putting the educational sphere at the center of public life, causing its close intertwining with all the basic social elements. The importance of education as an inherent factor of the economy and society's formation also increases. Its role is constantly increasing with the growth of the human capital's impact.

Education becomes an important factor in the dynamic renewal of the Russian society. It affects the global systemic transformations taking place in Russia in all strategic directions of development (politics, economy, social sphere, etc.). In modern conditions, we observe the intensive integration of Russian educational space and the world educational space. The education becomes a system-forming in constantly improving the conditions of high competition and changing the economic life. Education has a high value for the innovative development of the state and the formation of human capital as well. Consequently, we could stress the direct connection between the development of education, the funding of educational institutions, scientific research, new technologies, and the level of state's development. Therefore, searching for new sources of funding for the education sector becomes an agenda (Akopova *et al.*, 2017; Meskhi *et al.*, 2016).

Public-private partnership is one of the real tools for financial provision of the education system that allows attracting new funding, reducing the budget burden, conducting research, obtaining additional guarantees, and reducing overall risks. In modern realities, public-private partnership in the education system should be considered as one of the most important elements of educational institutions' framework, their financing, and the quality of educational services. Therefore, interaction between the state, business, and educational institutions is an algorithm for solving such problems in the field of Russian education as follows:

- ✓ creation of conditions for obtaining high-quality educational services by all citizens of the Russian Federation;
- ✓ fund raising to improve the material and the technical base of educational institutions improving the quality of the services they provide;
- ✓ providing conditions for the psychophysiological safety of the students.

## 2. Results

Public-private partnership is considered an effective tool for raising private capital for investment projects, public goods in sectors like social infrastructure, communal services and transportation due to limited budget resources available in these sectors. Transformational processes occurring in world's economies associated with the post-industrial stage of development, the globalization processes and the internationalization of capital, lead to an imbalance in the industrial and social infrastructure's activities that does not meet the modern needs of reproduction. The experience of foreign countries shows that mutually beneficial cooperation between the state and businesses carries a positive impact on economic growth, contributes to the implementation of structural projects and the implementation of new technologies. Thus, public-private partnership provides additional financial resources to finance infrastructure projects, scientific research, innovative methods etc.

Over the 2010-2015 period, the number of projects funded through public-private partnerships in the EU countries has decreased from 112 projects to 49 projects (nearly 2.5 times). At the same time, the amount of financing decreased by only 15% from 18.3 billion euros to 15.6 billion euros. Erratical development of public-private partnership in European countries attracts more and more attention. High level of public-private partnership development could be noticed in Germany, France, Great Britain, Spain, Italy. Belgium and Greece are at the initial stages of the formation of these programs (Semyonova and Ermoshina, 2017).

As for the Russian public-private projects practice, we could characterize it with a stage of formation associated with the legislation establishment. Since January 1, 2016 the Federal Law *"On public-private partnership, municipal-private partnership in the Russian Federation"* is being implemented which systematizing the conceptual apparatus in the sphere of public-private and municipal-private

partnership, defining the elements, objects, the terms of public-private and municipal-private partnership agreements, ensuring the guarantees of the rights and interests of all parties to the agreement, establishing the powers of public authorities in the field of public-private partnerships and local self-government bodies of municipal-private partnership. In 2015, we could observe significant changes in the Russian legislation on concession agreements in terms of the preparation procedure and their conclusion which provides additional guarantees for investors. And the institution of a private concession initiative was introduced. Another reason for the public-private and municipal-private partnerships' growth is the identification of priority areas depending on the social and economic needs of the society. These areas are the municipal, transport, social, and energy sectors.

According to the Public-Private Partnership Development Center, 117 projects were implementing in the social sphere at the beginning of 2015; 212 projects started in 2016. Most public-private partnership projects are implemented in healthcare and education, much less are in tourism and culture. A few projects in public-private partnerships are represented in the fields of physical education and sports as well as social services for the population, but experts view them as promising for private investors.

In accordance with the Federal Law No. 224-FZ, public-private partnerships and municipal-private partnerships are legal and fixed period-partnerships between a public partner and a private partner, based on the pooling of resources and risk sharing to attract private investments into the economy, government and local governments for the accessibility of goods, works, services by improving their quality. Educational public-private partnership could be represented as the interaction of state educational institutions and business structures on the basis of mutual interests for achieving common goals.

Since the end of the XXth century, many world education-leading countries have been adopting public-private partnership primarily in the educational infrastructure. As a result, resources and skills available to private business are used, less formalized procurement procedures are applied, and the institutions' property management becomes more efficient providing quality auxiliary services (Andreeva *et al.*, 2017). Implementation of joint educational projects on the basis of public-private partnership is associated with improving the material base of educational institutions, providing unique staff training and raising funds from other commercial structures. We should highlight the main advantages of educational public-private partnership as follows:

- ✓ the possibility of a rapid socioeconomic development;
- ✓ reducing the budget expenditures;
- ✓ increasing the implementation of projects with a high level of efficiency;
- ✓ minimizing risks and obtaining a synergistic result;
- ✓ improving the quality of educational services;

- ✓ weakening of the corruption and illegal practices at all project implementation stages.

These public-private partnership advantages and key features provide the justifying of establishing a mechanism of relations between the state, educational institutions and business in creating a perfect educational system improving the quality of educational services provided in Russia. Notable that the education system in Russia is represented as a set of training programs governed by state educational standards and educational networks, including independent institutions under supervisory and governing bodies. The educational right of every person irrespective of sex, race, nationality, language, origin, social status, place of residence, religion, beliefs, membership in public associations and other conditions is guaranteed in Russia. Common availability and free of charge basis are guaranteed in accordance with the federal educational standards of pre-school, primary general, basic general, secondary general and secondary vocational education. Competitive basis of higher education is provided if getting an education for the first time (Vovchenko *et al.*, 2017).

As foreign and domestic experience shows, the ways of educational interaction between the state and business are fairly versatile. An example of mutually beneficial cooperation is the Private Finance Initiative (PFI) program known in the UK and spreading in other countries with the goal of increasing the role of business structures in funding the construction and maintenance of education infrastructure facilities. In addition to this form of cooperation, the private partner can also repair and reconstructs buildings where the educational process is taking place, equips dormitories with furniture, provides auxiliary professional services (outsourcing).

Today, there is a gradual expansion of interaction between the state educational organizations and businesses which actively promote development of establishments of an educational system by participating in this activity. Several years ago the interaction of private organizations in the activities of Russian educational institutions was limited mainly to aid projects and contributions to a certain event. Now the private sector participates in the work of educational institutions and improves their material and technical base (Guskova *et al.*, 2016).

We consider the development of public-private partnership in the field of R&D as the important direction for modern Russia. The union between the educational institution, the state and businesses is studied in the "triple helix" theory as the basis of the innovation system of any country. The authors are Henry Etzkowitz (University of Newcastle, Great Britain) and Loet Leydesdorff (University of Amsterdam, Holland). The cooperation of them in the "triple helix" provides the formation of an innovative environment which is represented in funding of scientific research and practical activities (Melnikova, 2017).

This interaction is realized in the form of creation of small innovative enterprises at

universities, research institutes, business centers, providing joint activity of researchers and business structures, accelerating the process of introducing innovations. The new trend is creating educational and production-educational clusters that are aimed at improving the quality of education and ensuring the competitiveness of the industry. Table 1 shows possible forms of cooperation between an educational institution and businesses.

**Table 1.** *Forms of public-private partnership between educational institutions and business entities.*

№	Interaction forms	Interaction fields
1.	Contract	<ul style="list-style-type: none"> <li>- conducting studies and experiments;</li> <li>- joint maintenance and reconstruction of educational institutions and its infrastructure;</li> <li>- construction of new buildings;</li> <li>- interaction with the executive authorities for the implementation of common projects;</li> <li>- financial support of educational institutions;</li> <li>- creation of proper conditions for self-realization of teachers, lecturers, and students on the basis of grants, credits etc.;</li> <li>- conducting business- lectures and seminars in educational institutions;</li> <li>- holding joint conferences and round tables;</li> <li>- creating conditions for students to practice in the partner entity to prepare the graduation thesis.</li> </ul>
2.	Institutional	<ul style="list-style-type: none"> <li>- creating non-profit organizations (charity funds, corporate institutions);</li> <li>- forming joint research institutes;</li> <li>- forming business schools.</li> </ul>
3.	Social interaction	<ul style="list-style-type: none"> <li>- creating supervisory boards with business representatives as members;</li> <li>- creating associations of graduates.</li> </ul>

Thus, the advantages of educational public-private partnership to improve the quality of educational services in Russia are:

- ✓ attracting private investments for the financial support of educational institutions, reducing the government spending on the educational sector in a condition of limited financial resources;
- ✓ reducing the terms of educational projects' implementation;
- ✓ creating economic benefits when interacting with educational organizations.

Further development of public-private partnership in education is associated with the creation of a favorable investment climate in the country, aimed at restoring economic growth and improving international ratings. As a result, we face decreasing risks for private investors and growing interest in long-term investments.

### 3. Conclusions and recommendations

Public-private partnerships turn to be a promising mechanism for funding infrastructure, investment projects and improving their efficiency. Strategic interaction between the state and businesses will contribute to Russia's innovative activity and growth of competitiveness stimulating the development of social and industrial infrastructure as well. Since the long-term investments in the education system are more risky and less marginal than, e.g., in transport infrastructure projects, private investors need additional state guarantees such as further improvement of the legal framework. The priority direction of public-private partnership development is creating the innovative infrastructure of universities as the basis for a stable, socially well-being economy.

#### References:

- Akopova, S.E., Przhedetskaya, V.N., Taranov, V.P., Israilova, A.E. 2017. Marketing aspects of Russia-The European Union Cooperation in the Field of Education. *European Research Studies Journal*, 20(1), 267-275.
- Andreeva, O., Samoylova, K., Takmazyan, A., Gerasimova, K. 2017. Modern trends of financing the system of education of the Russian Federation. *Norwegian Journal of Development of the International Science*, 11(2).
- Center for development of public-private partnership 2016. Best practices for implementing public-private partnerships in the social sphere, <http://pppi.ru/sites/default/files/pdf>
- Federal Law. 2015. No. 224-ФЗ "On Public-Private Partnership, Municipal-Private Partnership in the Russian Federation and Amendments to Certain Legislative Acts of the Russian Federation", <http://economy.gov.ru/minec/activity/sections/privgovpartnerdev/201507213/>
- Guskova, D.N., Vdovin, M.S., Krakovskaya, N.I., Slushkina, Yu.Yu. 2016. The Quality of Education as a Primary Concern of the Sustainable Development. *European Research Studies Journal*, 19(3) Part B, 239-257.
- Melnikova, M.S. 2017. The use of public-private partnership in education. *Russian Entrepreneurship*, 18(3), 303-308.
- Meskhi, C.B., Izotov, A.M., Knyazeva, S.Y. and Simonyan, V.T. 2016. Formation of the System of Management of Supporting University on the Basis of Strengthening of Communication Component. *European Research Studies Journal*, 19(2), 64-70.
- Semenova, N.N., Yermoshina, T.V. 2017. Financing of investment projects on the basis of the mechanism of public-private partnership. *Journal of Russian Entrepreneurship*, 18(10), 1567-1578.
- Vovchenko, G.N., Albekov, U.A., Romanova, F.T., Epifanova, V.T. 2017. Study of Factor Which Facilitate Increase of Effectiveness of University Education. *International Journal of Educational Management*, 31(1), 12-20.