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Public-Private Partnerships and the Specifics of Their Implementation in Vocational Education

Julia Vertakova^{a,*}, Vladimir Plotnikov^b

^aDepartment of Regional Economics and Management, Southwest State University, Kursk, Russia

^bDepartment of General Economic Theory, Saint-Petersburg State Economic University, Saint-Petersburg, Russia

Abstract

Increasing complexity of socioeconomic processes, especially influenced by global financial crisis, calls for appropriately complex mechanisms of their regulation. This fact gives birth to a demand in development of partnership between governmental agencies and private business. Authors have determined that global experience of public-private partnerships is highly-demanded in Russian labor market, characterized by lack of trained personnel. Resource capabilities of Russian public institutions of professional educations are not sufficient to meet challenges they face and business ought to be attracted through public-private partnership. In order to increase efficiency of these projects, business aims also need to be taken into account.

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1. Introduction

Modern economic theory and practice of state regulation of the economy in different countries confirm that “pure” models being market-based or centrally controlled have their imperfections. This fact was confirmed and widely studied during global financial crisis. Therefore mixed economy proved to be the most efficient way to promote competitiveness and social-oriented economic relations. This approach combines features of both market and centrally controlled economic models. The ratio of market-based and planning tools in each economy is unique and is determined by combination of technical, institutional, historical, climatic, geographical, political, social and other

* Corresponding author.

E-mail address: vertakova7@ya.ru (J. Vertakova), plotnikov2000@ya.ru (V. Plotnikov)

factors. National models of mixed economy are formalized in institutional schemes. Comparative study of such models allows to determine “Japanese”, “American”, “French”, “Russian” and “Chinese” types with their own specificity and blend of administrative and market-based regulation tools. It could be said that institute of convergence of planning and market is nationally-determined (Maximtsev and other, 2014). Deeper study shows that some of these institutes are universal and not only could be internationally adopted but could be transferred to other spheres of economy.

Public-private partnership (PPP) proved to be one of such universal institutions combining planning and market self-regulation. It is an institute that allows to form and develop a system of mutually beneficial long-term economic and organizational relations between public authorities, local administration, social institutions and private sector. It is important to notice that PPP is developed as a system of equal and mutually beneficial relations between state and business and it eliminates dominance of any part. Participation in PPP projects allows government agencies to achieve objectives of public interest (infrastructure development, support of basic research, enhancement of health care services and settlement of ecological problems) and allows business to achieve their own goals (profitability increase, growth of share capital value, fund-raising and expansion of resource portfolio). Joined efforts allow to enjoy synergy and save resources.

Both Russian and international experience shows that public-private partnership usually evolves in industries that are essential for economic development and have high social priority but under current circumstances are considered as unprofitable because of capital intensity, high levels of risk, long payback period and other factors. If above mentioned factors appear in conjunction, PPP strategies are used to develop such spheres of economic activity. For example it may be carried out in a form of joint ventures with mixed public-private capital or by implementing of socially significant business projects, etc. In PPP government acts as a special economic entity which uses private form of capital in order to achieve certain social objectives. To this extent state acts as a market player and moves away from purely political and administrative functions (Schegortsov, 2010).

As authors previously stated, topic of public-private partnership is especially actual under current circumstances of post-crisis era and is important on regional level (Vertakova and Plotnikov, 2013a). Economic growth has substantially slowed down and has decreased taxation basis thus tightening municipal and state budgets. Nowadays government has a verifiable need in realization of social projects aimed at improvement of living standards (development of traffic infrastructure, public utilities, health care, education, etc.) and at the same time experiences shortage of public funds for their implementation. In this situation it seems logical to attract private business to this kind of initiatives.

At the same time private business are in troubled waters today. The uncertainty of business environment caused by protracted crisis generates uninsurable risks, which can only be avoided in cooperation with the state. Thus today PPP acts as a form of mutually beneficial cooperation between business and government. Research conducted by Coretchi and Grosu (2011) states that contribution to the coverage of the needed capital for larger scale projects, making them possible (62% of total response); supporting investment of social importance, which otherwise would not generate (sufficient) income, in order to be attractive to private investors (60%); superior attractiveness for large scale projects because of lower capital investment costs (54%); private financing of PPP can better valorize the EU funds (49%); professional project management and superior implementation capacity of projects using EU grants (43%); private funding of PPP projects leads to the overall national contribution level for each project co-financed from EU grants (24%).

2. Experience of cooperation between state and business in public-private partnership

The problem of shaping and developing PPP has been discussed widely across economic and management studies. A number of authors (Atkinson and Stiglitz, 1980; Barr, 1999; Cohen and Philippe, 1988; Ohanian, Taylor and Wright, 2012; Pevcin, 2005; Valeriani and Peluso, 2011) have carried out research on the role of the state in modern economy. Also some researchers (Barnekov, Boyle and Rich, 1989; Bult-Spiering and Dewulf, 2006; Cooke, 1988; Geddes, 2005; Jezieruski, 1990; Nkya, 2007; Vertakova and Plotnikov, 2013b; Yescombe, 2007) reveal in detail the essence of a public-private partnership, the processes of its shaping and functioning.

In addition, these issues are being actively discussed in the reports of the World Bank. With the direct participation or support of the World Bank and the International Monetary Fund research on various aspects of the relationship

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