Public-private partnership in agriculture

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Аннотация. *В экономике наших дней партнерство предпринимательских структур и власти является необходимым для развития агропромышленного комплекса. Это подтверждено как отечественным, так и европейским опытом. В статье рассматриваются вопросы применения механизма государственно-частного партнёрства в сельском хозяйстве, проведен обзор имеющихся подходов к определению государственно-частного партнерства, обосновывается необходимость использования государственно-частного партнерства в сельском хозяйстве.*

Abstract. *In the economy of our days, the partnership of business structures and the government is necessary for the development of the agro-industrial complex. This is confirmed by both domestic and European experience. The article deals with the application of the mechanism of public-private partnership in agriculture, a review of existing approaches to the definition of public-private partnership, the necessity of using public-private partnership in agriculture.*

Ключевые слова: *сельское хозяйства, конкурентоспособность, государство, государственно-частное партнерство, регион, инновации.*

Keywords: *agriculture, competitiveness, state, public-private partnership, region, innovation.*

Introduction: Economic development is a qualitative positive change, innovations in production, in products, in services, in management. An innovative development path means a transition to an innovative model extended reproduction, which, unlike previous models, begins with scientific training. The effectiveness of agricultural development processes is largely determined by the effectiveness of state regulation, which predetermines formation of an effective organizational and economic mechanism. It has become more and more recognized that solving the persistent and complex problems facing the agricultural sector is beyond the reach of a single actor alone. Such profound changes, that require more than simple technological fixes, are called system innovations, or transitions and they require the involvement of various kinds of stakeholders in processes of social change [1]. As a result, agricultural innovation policies are being promoted in which multidisciplinary and intersectional groups are organized into networks to collaboratively work on innovation and the transition towards sustainable agriculture [2].

Main part: The effective development of agriculture is possible on scientifically grounded accounting and rational use of natural, economic, socio-historical and organizational and economic factors. In this regard, there is a need to identify the features and develop new approaches to the formation of the organizational and economic mechanism for the development of the industry.

One of these approaches is public-private partnership, which is becoming one of the most important development institutions. Public-private partnership is a combination of material and non-material resources of society (the state or local government structures) and the private sector on a long-term and mutually beneficial basis for the creation of public goods (development of engineering and social infrastructure, improvement and development of territories) or the provision of public services (in the field education, health care, social protection and etc.) [3].

Public-private partnerships (PPP) are prominent examples of such collaborative endeavors in which private actors pool their resources with public sector organizations, such as government agencies and universities, in a long-term collaborative engagement, with the aim of providing added value for all parties involved [4].

The mechanism of interaction between the state and agribusiness is a system, the elements of which are subjects (state and business), which, through various forms of partnership, using methods (forecasting, strategic planning, programming, quotas, investment, lending, insurance, tariff and customs regulation) and instruments (prices, taxes, bank interest, exchange rates) affect the development of industries, contribute to the growth of competitive products and their promotion to national and world markets. Within the agricultural sector, PPPs have become increasingly popular within the mix of policy instruments aimed at promoting innovation, and they have been mentioned as a solution to counteract interaction problems between actors [5].

The modernization of agricultural sectors is a continuous process of improving the quality of the varieties of agricultural crops and breeds of agricultural animals used, as well as the process of improving the technology for the production of agricultural products in order to fully use the bio potential of the land and variety (breed), while improving the

entire technological chain of machinery and equipment, organization of production and labor.

The essence of the modernization of agricultural sectors consists, firstly, in increasing their role as a regulator of transformations of bio potential (land, plant varieties, animal breeds) in the system of production potential; secondly, in the meaning of the industry as a base for connecting resources in the technological process; third, in the reproduction of resources and products on an innovative basis. Modernization, as a system, should be based on: innovation, investment, institutions and infrastructure (fig1).

Innovation is the foundation for the development of industries. Strategic development of each industry, as organizational innovation, becomes a necessary condition for the implementation of product, technological and technical innovations. At the same time, investments should be not only for scientific developments, but also for their introduction into production, as well as the regulation of markets and the development of rural areas. And this requires the creation and development of appropriate institutions and infrastructures.

Existing institutions (education, science, government regulation) is only necessary to adapt to the modern conditions of the economic competitive environment, then other institutions as strategic management, self-regulation of business within the framework of the formed industry unions and associations, public-private partnerships should be recreated.

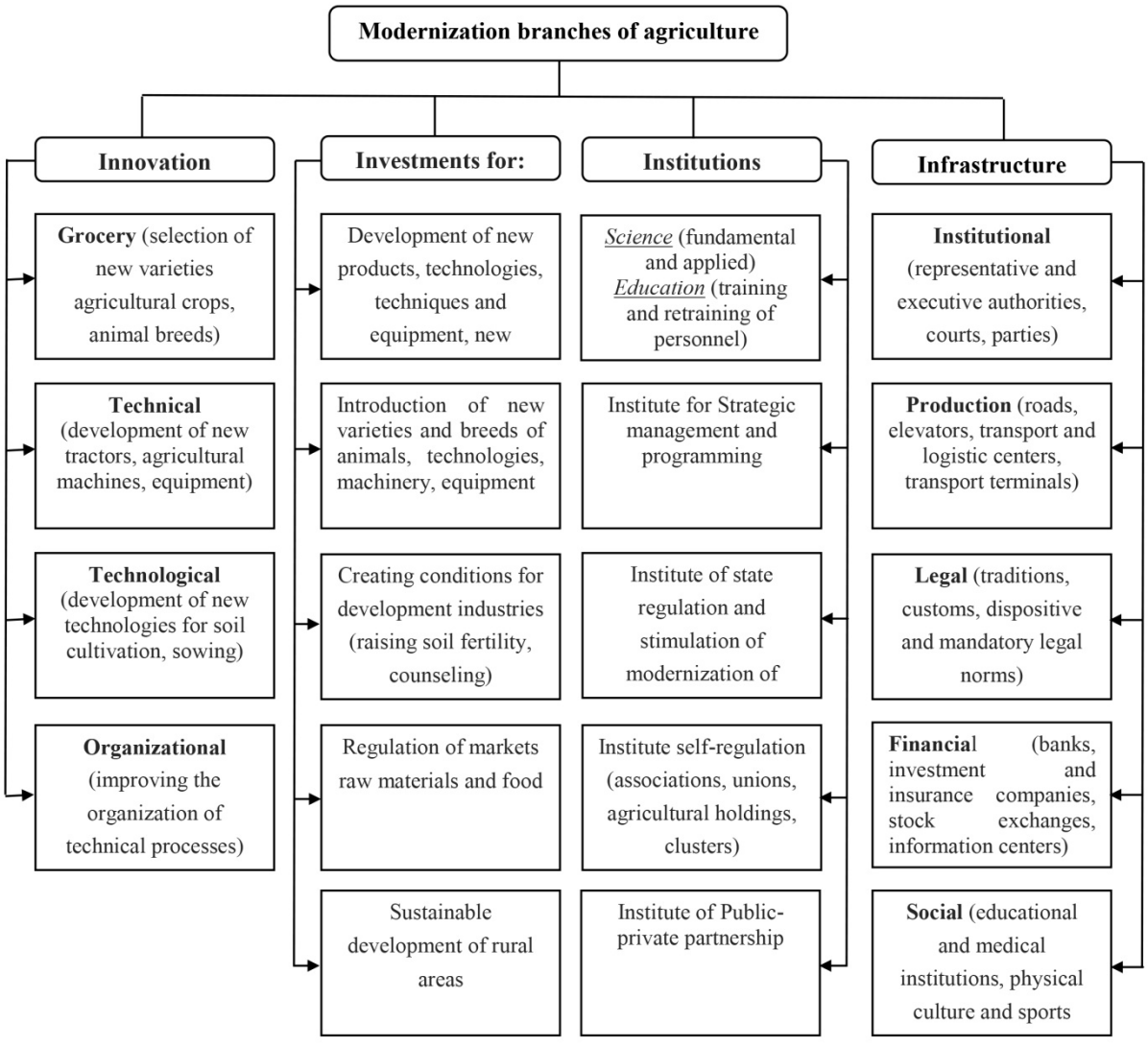

Fig. 1. **Agricultural modernization system**

In accordance with the requirements of a market economy, it is necessary to create (adapt) the institutional, production, social, legal and financial infrastructure. All elements of the system are interconnected and interdependent, they must correspond to each other in time and space.

Modernization branches of agriculture, as a system includes all interconnected and interdependent elements (innovation, investment, institutions, infrastructure) and contributes to an increase in production volumes and its competitiveness.

Processes modernization is developing more intensively where investments are higher, where an integrated approach is used in the process of improving technology, technology and organization of production. In turn, investments higher in those regions where the favorable impact of natural, climatic, political, institutional, economic, organizational, social and other factors is combined.

The role of public-private partnership, as one of the institutions, is to ensure conducting a reasonable agricultural policy aimed at improving the socio-economic level, encouraging agribusiness to participate in implementation of targeted programs.

Foreign experience: ***Experience of public–private partnership in Asia.***

Currently, PPP in the field of agricultural development plays a significant role in the economic development of individual countries in Asia. Due to the socio-economic characteristics of the development of agricultural and food production in Asian countries, the relevant projects have acquired various forms and fields of application.

In this regard, in determining future plans for the development of agriculture and food security in Uzbekistan, the study of international experience in implementing projects in the PPP format may be of particular importance.

In recent years, within the framework of participation in the Asia-Pacific Economic Cooperation Forum - APEC and ASEAN, states have been actively developing cooperation in the field of PPP in agriculture. In various countries, the use of PPPs covers a variety of areas in the development of the agricultural sector, including production infrastructure, transportation and logistics, R & D, and the overcoming of post-harvest losses. As part of the APEC, in 2016, the implementation of a multi-year project – “Developing PPPs to reduce food supply losses in supply chains” continued. The project aims to develop mutual cooperation between representatives of the public and private sectors in order to find and

agree on measures to reduce food losses. Food losses in developed and developing economies occur for various reasons. Thus, for developed economies, losses associated with throwing out of food and spoiled food in large quantities are more characteristic, especially within households.

For developing countries, the deterioration of agricultural raw materials and food associated with obsolete technologies, the lack of the necessary capacity for harvesting, storage and transportation is more characteristic. Various aspects of the development of PPP mechanisms in the field of agriculture were considered at the APEC international conference on the development of infrastructure investments to maintain food security, held April 21-22, 2016 in Hanoi - Vietnam. Almost all the developing economies of APEC, when promoting PPP mechanisms in the field of agriculture, in one way or another face similar problems. These problems, first of all, include an imperfect organizational system for the implementation of such projects, including the selection and approval of PPP projects at the national level. One of these problems is the ineffective evaluation of projects carried out by government agencies at the stage of determining the project cost, the future estimated profit of private investors. The latter aspect leads to low motivation of private

investors to participate in a particular PPP project. The implementation of PPP projects in the APEC and ASEAN region is also influenced by factors such as the protection of intellectual property in technology transfer, as well as external factors - for example, the destruction of infrastructure facilities due to climatic phenomena. Among the countries of the Asia - Pacific region, there are still no agreed schemes for the implementation of such projects. Different approaches to the definition of PPP, its main characteristics, as well as the modalities of use in the implementation of national concepts of agricultural development. At the same time, many APEC economies have managed to accumulate experience in attracting investments in PPP projects for the development of agricultural infrastructure, including through interaction with foreign investors and international financial organizations. Thus, Vietnam‘s approaches to the use of PPP in the development of agriculture are of particular interest.

In recent years, PPP projects have provided a 2-3-fold increase in the agricultural sector of the country's economy, as well as a 10-15% increase in incomes of Vietnamese farmers. These results were achieved on the basis of the introduction of new models of management and financing of PPP, including through interaction with the Asian Development Bank - ADB. At the end of 2015, ADB's cumu-

lative investment in Vietnam‘s agriculture since 1993 in individual items was: $ 14.4 billion - loans, $ 318.3 million - grants, $ 276.6 million - technical support.

Innovative developments in the field of agriculture are actively developing in Taiwan on the basis of the project interaction of the state and the private sector in the framework of the Ping-tung Agriculture Biotechnology Park. The park was founded in October 2003. In 2013, a free economic zone regime began to operate within the Park. At the end of 2015, there were about 100 companies in the park. These include the world's major "players" in the field of agricultural biotechnology, including Loh mann Animal Health - the production of vaccines for poultry and Ariake Foods - the production of innovative food products, etc. Companies-residents of the Park are provided with preferential tax treatment. It covers import duties on raw materials, machinery and equipment, semi-finished products, various taxes associated with the introduction of the business [7].

Public–private partnership in European Union. From 1990 to 2009 nearly 1,400 PPP deals were signed in the European Union, representing a capital value of approximately €260 billion. Since the onset of the financial crisis in 2008, estimates suggest that the number of PPP deals closed has fallen more than 40 percent. A study, conducted by the European Court of Auditors of the European Union, examined 12 public-private partnerships in France, Greece, Ireland and Spain, in road transport and information and communications technology. It concluded that the partnerships were characterized by widespread shortcomings and limited benefits‖ and underlined considerable inefficiencies in the form of delays during construction and major cost increases.

Public–private partnership in United States. U.S. city managers‘ motivations for exploring public–private service delivery vary. According to a 2007 survey, two primary reasons were expressed: cost reduction (86.7%) and external fiscal pressures, including tax restrictions (50.3%). No other motivations expressed exceeded 16%. In the 2012 survey, however, interest had shifted to the need for better processes (69%), relationship building (77%), better outcomes (81%), leveraging resources (84%), and belief that collaborative service delivery is "the right thing to do" (86%).

Conclusion: Thus, today the interest in the mechanisms of mutually beneficial partnership is growing more and more, since the partnership of business structures and authorities is a factor of sustainable economic growth, increasing the competitiveness of the region. PPP is cost-effective for both the government and business. For the state, efficiency is expressed in reducing budgetary costs and obtaining a product or service of a higher quality, since in this case the existing business practices, technologies, practical experience are involved, for a private investor, first of all, in reducing the risks of project implementation and in more effective investment. In the agricultural sector, the rates of implementation of public-private partnership projects are still insignificant, however, a number of regions successfully use the considered model of interaction between business and government, achieving high results due to the growth of competitiveness of agricultural products in the domestic and foreign markets.

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