

Tools of public-private partnership in the development of the tourism sector of the economy

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Abstract: The article discusses the possibilities of using public-private partnership instruments in the development of the tourism sector of the economy of the Republic of Kazakhstan.

Keywords: public-private partnership, tourism, PPP models, concession

Nowadays the effectiveness of public-private partnership is relevant issue. The financial crisis of 2008-2009 has revived the debate on the paradigm of economic development and the role of the state in the development of the national economy as a whole and its ability to promote the formation of social infrastructure and alternative financing of traditionally financed companies.

Funds of budgets of all levels, investment fund and development banks' resources are limited. Therefore, the creation of new financing instruments at different levels of government in today's conditions is urgently needed [1, p. 158].

Mechanisms of public-private partnership are the basic structure of attraction of extra-budgetary investments in development of various types of infrastructure and objects of production and non-production branches. The task of the state is to create and promote a quality national tourism product on the domestic and world markets. Private business cannot conduct a non-commercial image advertising campaign throughout the country: its goal is to promote its own product, while the creation of a favorable image of the country is exclusively a state task [2, p. 31].

Public-private partnership (PPP) is an institutional and organizational alliance of government and private business for implementing socially significant projects in a wide range of areas - from the development of strategically important sectors of the economy to the provision of public services throughout the country or individual territories. The rapid development of various forms of PPP in all regions, their wide spread in various sectors of the economy allows us to interpret this form of interaction between the state and business as a characteristic feature of the modern mixed economy.

In PPP projects, the public sector sets parameters and standards for infrastructure and public services, and the private sector undertakes obligations, for example, to design, build, finance and manage the facility in accordance with these parameters or to comply with the relevant requirements in the provision of services.

In return, the private sector receives payment from the state/consumers, the amount of which depends on the achieved results.

For Kazakhstan, the following concept of public-private partnership can be defined as a set of medium-term or long-term relationships between the public and private sector in order to provide socially significant works and / or services for the design, financing, construction, reconstruction, rehabilitation, operation, maintenance of facilities in compliance with the basic principles of PPP.

In order to develop public-private partnership in Kazakhstan, as well as improving the methodology of budget investments, conducting quality expertise, monitoring and evaluating projects, the government of the Republic of Kazakhstan has established joint stock company «Kazakhstan center for public-private partnership». The sole shareholder of JSC «Kazakhstan Center for public-private partnership» according to the Resolution «On establishment of specialized organization about issues of concession» on the 17-th of July, 2008 № 693. The only stakeholder of JSC Kazakhstan center for public-private partnership is the Government of the Republic of Kazakhstan represented by the Ministry of economic development and trade of the Republic of Kazakhstan. It is important to note that within the framework of a specially created organization out of 26 projects, not a single project on the development of the tourism sector is being implemented yet [3, p. 28].

The PPP format is often used in the creation, reconstruction and exploitation of transport, energy, tourism networks, and municipal infrastructure, health and education facilities. The possibility of significant savings of budgetary resources in achieving socially important goals encourages administrative public authorities to participate in various kinds of partnership schemes with the private sector. The development of the use of public-private partnership in Kazakhstan practice allows to expand the range of its application in solving the tasks set by the state in the strategic plans and concepts of the country's development [4, p. 50]. As one of the most promising tools to stimulate the development of the economy, the PPP mechanism is indicated in the State program of forced industrial and innovative development of the Republic of Kazakhstan.

Public-private partnership can be defined as a legal mechanism for coordinating the interests and ensuring interaction between the state and business. At the same time, it should be considered as a system of effective interaction between public authorities of different levels and business in order to implement socially significant projects and programs of socio-economic development of territories aimed at improving the quality of life and achieving the goals of public administration, as a set of forms of medium - and long-term cooperation to solve socially important tasks on mutually beneficial terms.

From an economic point of view, public-private partnership is interesting to the authorities as a mechanism through which it is possible to implement not only priority investment projects, but also the development of infrastructure, as well as the improvement of the social sphere of the region. Nowadays there are a number of objective prerequisites for the formation of effective forms of public-private partnership to attract private investment in the economy of the country (region, city), to implement socially significant projects, to ensure the efficiency of the use of property owned by the state:

- reorientation of outbound tourist flows to domestic ones in the conditions of crisis;
- creation of new special economic tourist and recreational zones and complexes, reconstruction of the existing recreational infrastructure at the expense of the requirements of world standards;
- creation of a system of scientific and personnel support for the development of the tourism industry;
- creation of a system of small and medium-sized businesses, ensuring the comprehensive development of the tourism sector;
- awareness of the need to develop tourism and recreation by legislative and Executive authorities at all levels.

In the tourism sector, as a rule, projects are implemented on the basis of public-private partnership of the following types: complex (creation of special economic zones of tourist and recreational type, state programs), targeted (in certain areas or tasks of development of the tourism industry) and providing (indirectly affecting tourism-for example, the development of transport infrastructure). At the same time, the main forms of public-private partnership in the sphere of economy and public administration, as a rule, are: government contracts, lease relations, financial lease (leasing), public-private enterprises, production sharing agreements and concession agreements.

Depending on the nature of the tasks solved within the framework of public-private partnership, there are separate models of such partnership:

- organizational models (which do not involve a significant invasion of property relations);
- financing models (commercial hiring, leasing, all types of leasing, preliminary and integrated project financing);
- cooperation (forms of combining the efforts of partners responsible for individual stages of the overall process of creating a new use value) [5, p. 371].

In our opinion, in our country, it is possible to use the organizational model, involving the cooperation of public and private partners, supported by third party organizations, assignment of certain functions and contractual obligations for the implementation of public-private partnership in the tourism industry at the regional level.

For this purpose, it is proposed to create an organizational structure uniting regional executive authorities, enterprises of the tourism industry, educational institutions, business associations and the population. This structure can be considered as a coordinator of the process of implementation of projects and programs within the framework of public-private partnership, which carries out interaction between all key participants of the tourism sector (figure 1).

One of the priorities of PPP regulation in tourism is to create an adequate regulatory framework. According to United Nations experts, the focus should be done on regulatory

flexibility. For the development of PPP, countries need a reliable, predictable, stable, logical and economic-oriented framework of the law, while the regulatory framework should not be binding, since too extensive legislation does not improve the process of creating and managing public-private partnerships, but only constrains the activity of potential investors. PPP in tourism is impossible without the creation of an organizational and legal mechanism for coordinating the interests and ensuring interaction between the state and business in the implementation of socially important economic and social projects in the field of tourism [10, p.22].

International intergovernmental organizations that develop individual parameters of international standards for the implementation of PPPs in tourism include The United Nations (UN) and a number of specialized agencies, which form a structure such as the UN system. The resolutions adopted by the UN include issues on simplification of tourist formalities; legal regulation of the situation of foreign tourists; ensuring the safety of tourists and their property; technical cooperation in the field of international tourism, as well as a number of other aspects of interstate cooperation in this field.

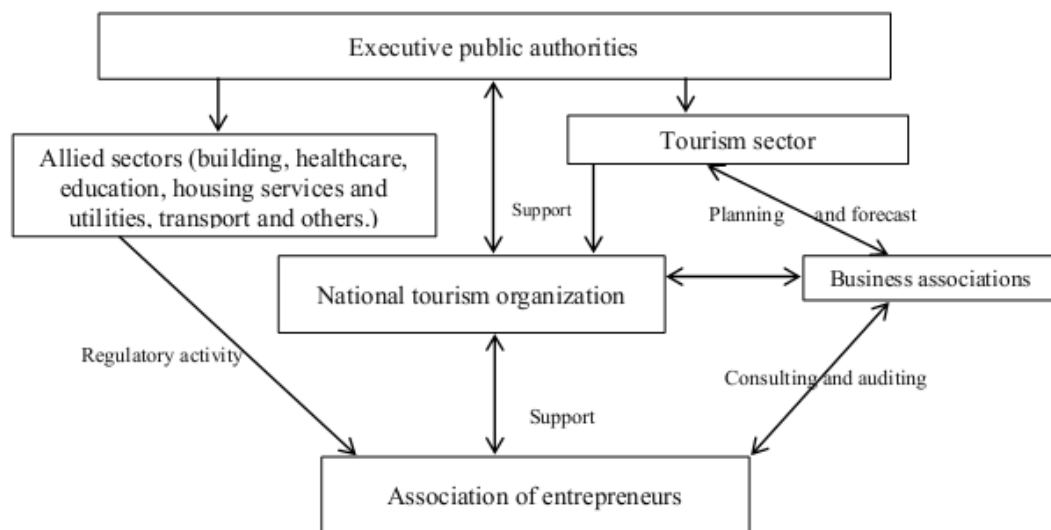


Figure 1 - Model of interaction of public-private partnership in the tourism sector

One of the significant UN acts for the development of PPP in tourism is the Declaration «Using tourism to achieve the Millennium development goals», adopted by the UN General Assembly and calling for further support for the Sustainable tourism for poverty eradication program. In addition, the UN has developed a «Practical guide on effective governance in the field of public-private partnership». It also extends to the tourism sector. It notes that in relation to public-private partnership, there is a tendency for countries to pass certain stages before the programs become fully operational [11, p. 257].

There are three stages of development of this partnership:

1) the first step is political decision-making, verification of compliance with the current legislation, formation of a portfolio of projects, development of basic concepts, the application of previously gained experience in other sectors, emerging market.

2) at the second stage, legislative reform, publication of strategic and practical guidelines, creation of specialized structures dealing with the problems of public-private partnership, clarification of its legal forms, stimulation of market development, expansion of the portfolio of projects and coverage of other sectors, attraction of new sources of financing are carried out.

3) the third step is the creation of a complete, integrated system, eliminating legal barriers, the refinement and reproduction of the legal forms of public-private partnerships, the formation of the guaranteed portfolio of projects, ensuring long-term political consensus use of full range of funding sources, create an investment market for objects, etc.

There are two main approaches to understanding the goals of public-private partnership:

- the first approach defines as the goal of combining the experience, skills and resources of partners in such a way as to ensure the achievement of the best material and financial results with maximum mutual benefit;

- the second approach defines the goal of partnership between the state and business as satisfaction of public needs through the use of state property, natural resources and involvement of private companies in activities within the competence of the state [12, p. 7].

The development potential of public-private partnership in the tourism sector laid down in the resources of the state, business and population used in the implementation of partnership projects in the tourism sector, and to improve special economic tourist and recreational zones, concession agreements; the use of new and development of existing instruments of participation in the partnership.

Concessions are the most promising form of public-private partnership. Unlike leases, they are oriented on a long-term (25-30 years), which allows both parties to carry out strategic planning of their activities. In addition, in concessions, the private sector has the most complete freedom in making administrative, economic and managerial decisions [13, p. 165].

It is possible to classify some main characteristics of concession:

- its subject is always a state property, as well as the monopolistic activities of the state, and the purpose - to meet the public needs and requirements;

- one of the participants of the concession agreement are the executive authorities of the state;

- the concession always has a contractual basis (concession agreement) and is based on the repayment of the subject of the agreement, which is provided to the private partner for a fee determined in the agreement.

Thanks to the agreement on public-private partnership, the resources of two economic entities are combined – the state, which has a huge property potential, and business, which has

resources for investment and uses, as a rule, more efficient methods of management. This «Association» develops competitive relations in the production of public goods, allow you to apply modern technologies in the management of social institutions and improve the quality of social services. It should be noted that even when the private sector assumes all the responsibilities for operation and financing, as in the case of a concession, it carries out these responsibilities within the legal framework established by the state.

The objectives of state participation in the establishment of such a legal framework are:

- protection of consumers from monopoly pricing,
- ensuring compliance with sanitary and environmental standards,
- use of subsidy mechanisms that would guarantee access to services for the poorest part of the population.

According to some experts, it is not accurate to believe that, entering into PPP, the authorities lose control over the provision of services to the population. On the contrary, the authorities approve the fundamental rules and have the opportunity to model the partnership in a way that reflects their goals, policies and regulatory requirements. In fact, they get even more control, as the PPP is accompanied by a carefully drafted contract.

The formation of public-private institutions of innovative development is possible only on the basis of creating a certain institutional environment. PPP is a key mechanism in solving such a strategic task as attracting investment in the construction of hotels of all classes: from five stars to economical mini-hotels, both in the historical center of the city and in the suburbs. It is very attractive to use the mechanism of public-private partnership also in relation to the reconstruction of historical and architectural monuments, as the main elements of the tourist attraction of the city.

The analysis of the world experience in the implementation of public-private partnership shows that it has reached the greatest spread in countries with developed market economies. There is a correlation between the level of socio-economic development of the country and priority sectors for the application of public-private partnership projects in them. For example, in the most developed countries more attention is paid to the social sphere (health, education, tourism infrastructure), and in developing countries-to transport infrastructure.

Thus, public-private partnership is one of the main tools for achieving sustainable economic growth of the regions and the country as a whole. Interaction of the state and business in public-private partnership can become one of perspective directions on intensification of development of the industry of tourism and hospitality in modern conditions. One of the priorities of PPP regulation in tourism is to create an adequate regulatory framework. The potential for the development of public-private partnership in the field of tourism lies in the resources of the state, business and the population used in the implementation of partnership projects.

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