



# **Interaction System of the State and Business in the Regime of Public-Private Partnership in the Pharmaceutical Complex of the Russian Federation**

**Natalia S. Klunko<sup>1\*</sup> and Anastasia E. Lobanova<sup>2</sup>**

<sup>1</sup>*Department for Postgraduate and Doctoral Studies, Russian New University, Moscow, Russia.*

<sup>2</sup>*Department of Finance and Banking at the Institute of Economics, Management and Finance, Russian New University, Moscow, Russia.*

## **Authors' contributions**

*This work was carried out in collaboration between both authors. Both authors read and approved the final manuscript.*

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## **ABSTRACT**

The issue of interaction between the state and business in the mode of public-private partnership in the pharmaceutical complex of the Russian Federation is investigated. The concept of "state" and "business" is defined, the forms of interaction between the state and business are considered, the concept of "public-private partnership" is defined, the main features of public-private partnership in general and in the pharmaceutical complex in particular are identified, the goals and investments of partners in public-private partnership in the pharmaceutical sector, studied the prospects for the development of public-private partnership in the pharmaceutical sector of the country as a form of interaction between the state and business. The researcher also researched economic, legal and organizational partnership. One of the types of economic partnership in this area of activity is a public-private partnership. Public-private partnership in the pharmaceutical sector of the Russian Federation is a cooperation for a specified period between the state and the private sector on the basis of which, by combining the experience and expertise of the state and business, sharing financial risks and benefits, socially significant programs and projects in the pharmaceutical sector

\*Corresponding author: E-mail: [nataliya.klunko@gmail.com](mailto:nataliya.klunko@gmail.com);

is implemented. It has been established that the subjects of interaction between business and the state in the form of public-private partnership are public and private partners, who, when participating in this type of interaction, set different goals and play different roles. It has been revealed that this type of partnership has great development prospects, which will contribute to increasing the competitiveness of the pharmaceutical sector, modernizing the health care system, improving the quality of health services delivery and access to medicines. The development of public-private partnerships as a form of interaction between the state and business in the pharmaceutical sector is an effective mechanism for the modernization of the industrial national sector.

*Keywords: Management; Public-Private Partnership (PPP); public-private partnership project; interaction; pharmaceutical complex.*

## 1. INTRODUCTION

One of the main vectors of development and innovative transformation of the pharmaceutical complex of the Russian Federation is the reform of the system of state economic management. To improve the effective functioning of state property in the pharmaceutical complex of the country, it is necessary to introduce effective mechanisms in this area. One of such mechanisms is the partnership between the state and business, which manifests itself in various forms. Based on international and national experience, one can single out one main form of partnership between the state and business, which contributes to the expansion of the resource base, the efficiency of state and communal property management, and the use of unused reserves for social and economic development in the pharmaceutical sector.

Problematic issues of interaction between the state and business in the form of public-private partnership were studied in their works by such scholars as G. Harutyunyan, M. Baglai, S. Bratus, V. Goreshev, P. Rabinovich, I. Sennikov, Y. Tikhomirov, M. Yurochkin and many others. All the studies conducted by the aforementioned scientists are of great scientific value, because the conclusions they made became the basis for the use of public-private partnerships as a form of interaction between the state and business in various fields of activity. However, the issue of interaction between the state and business in the mode of public-private partnership in the pharmaceutical complex of the Russian Federation, as in a special field of activity, requires additional research and analysis, which determines the relevance of this article.

The purpose of this article is to study the issue of interaction between the state and business in the mode of public-private partnership in the

pharmaceutical complex of the Russian Federation.

To achieve this goal, it is necessary to solve the following issues: define the concepts of "state" and "business", consider the forms of interaction between the state and business, define the concept of "public-private partnership", highlight the main features of public-private partnership in general and in the pharmaceutical complex in particular, determine the goals and investments of partners in public-private partnerships in the pharmaceutical field, study the prospects for the development of public-private partnerships in the pharmaceutical sector of the country as a form of interaction between the state and business.

One of the controversial phenomena for the Russian Federation is the interaction of the state and business. In conditions of economic instability, the relationship between these two entities is especially important. Before we begin to characterize the interaction between government and business, we need to start by defining these two subjects of interaction.

It should be noted that there is no unambiguous definition of the concept of "state". Thus, M. Yurochkin, in his article "The State: Theoretical Aspects of the Formation of a Concept", defines the state as a political organization of society, which extends the supreme power to the territory of the country, carries out its activities through the administrative apparatus, issues legal norms in the prescribed manner [1].

Y. Tikhomirov defines the state as a political organization of society, which guarantees its integrity, manages the affairs of society, exercises sovereign public power with the help of the state mechanism, and also attaches generally binding significance to law and guarantees legality, law and order, the rights and freedoms of citizens [2].

According to M. Baglay and G. Harutyunyan, the state is a sovereign organization of public political power, which creates and maintains rights and freedoms, manages public affairs, ensures security and creates favorable conditions for the life of society [3].

Summarizing the opinions of scientists regarding the concept of "state", we can conclude that the state is a political organization of society, the main tasks of which are the exercise of state power through the state mechanism, the management of public affairs, ensuring the rule of law, security, law and order, the rights and freedoms of citizens, creating favorable conditions for the life of citizens.

The definition of the concept of "business" as a subject of interaction with the state is also not unambiguous. Many scholars interpret the concept of "business" as proactive economic activity, which is carried out at the expense of their own or borrowed funds at their own risk and responsibility, with the main goals of making a profit and developing their own business.

The economic dictionary defines the concept of "business" as the economic activity of an entity in a market economy, which is aimed at making a profit by creating, selling certain products or services [4].

It can be concluded that business is any type of activity in the sphere of social production that generates income or other personal benefits by creating, selling certain products or services.

According to scientists, the partnership between the state and business must be viewed from the perspective of forms of interaction. At the same time, it is advisable to single out the three most important forms of partnership between the state and business. These forms are economic partnership, legal partnership, organizational partnership [5].

Economic partnership provides for the implementation of joint entrepreneurial activities by state bodies and entrepreneurial structures, which is aimed at obtaining non-tax budgetary income through the use of resources owned by the business sector [6].

The essence of legal partnership as a form of interaction between the state and business lies in the joint organization of the process of regulation of entrepreneurial activity by the state. To

implement this form, entrepreneurial structures can participate in working groups for the development of legislation, create self-regulatory organizations with the involvement of specialists from public authorities, as well as use other forms and methods of state influence on business development.

Organizational partnership represents various forms of participation of representatives of one of the parties in the structural units of the other side of the interaction. For example, this can be, on the one hand, the participation of state representatives in the corporate governance bodies of an entrepreneurial structure, and on the other hand, the participation of business representatives in bodies influencing the adoption of state decisions. In accordance with these forms, scientists propose the following classification of the practical manifestation of forms of interaction between the state and business [7].

Economic interaction includes state unitary enterprises, state corporations, corporations with state participation, public-private partnerships and market relations (purchases, tenders, investment contracts).

Legal interaction consists of state regulation of entrepreneurial activity, state regulation of competition, state regulation of interaction between state and business structures.

Organizational interaction provides for mutual participation of representatives of the parties in the activities of other parties, state order.

The main economic form of interaction between the state and business in the pharmaceutical sector is public-private partnership.

V. Varnavsky defines public-private partnership as an institutional and organizational alliance between the state and business in order to implement national and international, large-scale and local, but always socially significant projects and programs in a wide range of areas of activity [8].

According to E. Korovina, public-private partnership is a medium-term or long-term cooperation between the public and private sector, within the framework of which political problems are solved based on the combination of experience and expertise of several sectors and the sharing of financial risks and benefits [9].

Thus, public-private partnership as a mode of interaction between the state and business in the pharmaceutical sector is cooperation for a certain period between the state and the private sector, on the basis of which, by combining the experience and expertise of the state and business, sharing financial risks and benefits, socially significant programs and projects in the pharmaceutical field.

Public-private partnership in the pharmaceutical complex of Russia involves the development of an innovative and modern domestic pharmaceutical industry, while applying effective mechanisms for financing innovative projects in this industry of the Russian economy. As a result of development, public-private partnership has become one of the important areas of work of the Ministry of Health of the Russian Federation in recent years.

The main features of public-private partnership in general are: the presence of a socially significant goal that would contribute to improving the standard of living and increasing the welfare of society; the presence of certain participants: the state and a private partner (business); availability of a validity period; distribution of risks and profits; special legal regulation.

In addition to the general features of public-private partnership, the use of this type of partnership in the pharmaceutical field entails the allocation of special features of public-private partnership, namely: a particularly important area of application; lack of special legal norms, regulations that regulate public-private partnerships in this area.

As it was specified earlier, there is no special normative act that regulates public-private partnership as a form of government interaction in the pharmaceutical complex of the Russian Federation. Therefore, this partnership is regulated by the Federal Law "On Public-Private Partnership, Municipal-Private Partnership in the Russian Federation and Amendments to Certain Legislative Acts of the Russian Federation" dated July 13, 2015. So, according to this law, subjects of public-private partnership in pharmaceutical the sphere are a public partner and a private partner [10].

The state partner in this type of partnership in the pharmaceutical field is Russia, on behalf of which the Government of Russia or the federal

executive body authorized by it acts, or the constituent entity of Russia, on whose behalf the supreme executive body of state power of the constituent entity of Russia or the executive body of the constituent entity of Russia acts, or a municipality, on behalf of which the head of the municipality or another authorized body of local self-government acts in accordance with the charter of the municipality [11].

Russian legislation does not clearly define the concept of a "private partner", but it identifies legal entities that cannot act as private partners in public-private partnerships in the pharmaceutical sector, as well as act on the side of a private partner. These legal entities are:

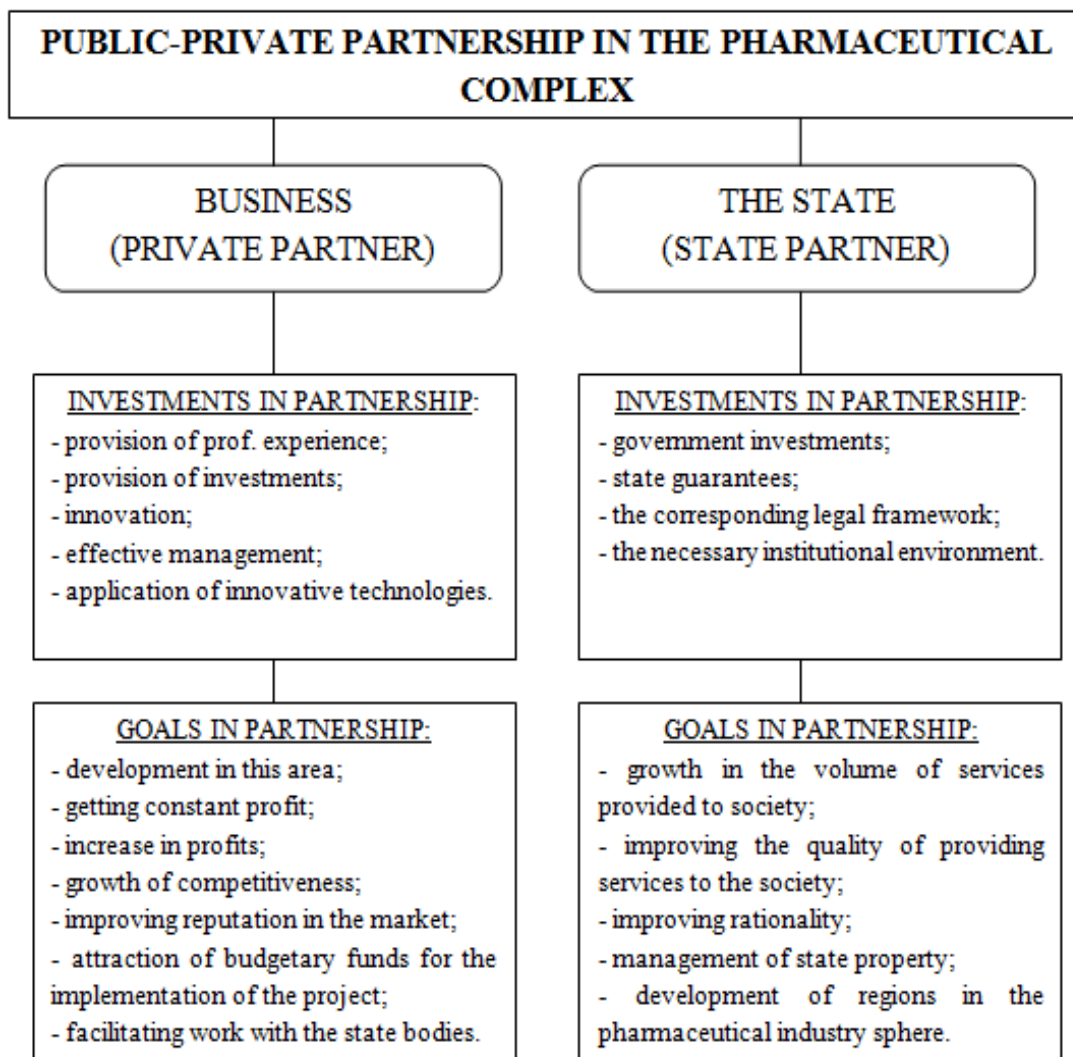
- 1) state and municipal unitary enterprises;
- 2) state and municipal institutions;
- 3) public companies and other legal entities created by the Russian Federation on the basis of federal laws;
- 4) business partnerships and companies, business partnerships under the control of Russia, a subject of Russia or a municipal formation;
- 5) subsidiaries under the control of the organizations specified in clauses 1-4;
- 6) non-profit organizations created by Russia, constituent entities of Russia, municipalities in the form of funds;
- 7) non-profit organizations created by the organizations specified in clauses 1-6 in the form of funds.

In turn, private partners can be private companies and corporations.

It is worth noting that the presence of an honest and responsible private partner in public-private partnerships in the pharmaceutical sector takes the first place through its importance, because it is the health of society that should be the main priority of the social policy of our state.

For a detailed description of public-private partnerships in the pharmaceutical sector, it is necessary to analyze the goals and investments (roles) in this type of interaction between the state and business. This is depicted in Fig. 1.

An important issue for study is to determine the prospects for the development of public-private partnership as a form of interaction between the state and business in the pharmaceutical complex of the Russian Federation.



**Fig. 1. Objectives and investments of partners in public-private partnerships in the pharmaceutical complex**

The pharmaceutical industry is an industry, in which innovation is the most important source of competitiveness. Often innovative projects are implemented through the formation of public-private partnerships. This approach offers a number of advantages - pooling of renowned resources and experience, sharing of financial burdens, which allows large-scale research. The modernization of the pharmaceutical industry is a complex and socially important task, and the pooling of capital, resources, knowledge and experience increases the chances of success in this task.

The implementation of public-private partnerships in the pharmaceutical sector helps

to increase the competitiveness of the industry. The use of this mechanism may be advisable from the point of view of modernizing the health care system, improving the quality of health services delivery and access to medicines.

Increasing the investment attractiveness of the pharmaceutical sector for foreign investors and international organizations plays a special role in the development of public-private partnerships. The development of public-private partnerships in the pharmaceutical sector of the country contributes to increased transparency, to which the pooling of resources, the exchange of data, knowledge and experience, and the creation of information infrastructure are available. It can be

concluded that the development of public-private partnerships in the pharmaceutical sector is an effective mechanism for the modernization of the entire sector.

## 2. CONCLUSIONS

In the course of the study of the interaction between the state and business in the pharmaceutical sector, economic, legal and organizational partnerships were identified. One of the types of economic partnership in this area of activity is public-private partnership. Public-private partnership in the pharmaceutical sector of the Russian Federation is cooperation for a specified period between the state and the private sector, on the basis of which, by combining the experience and expertise of the state and business, sharing financial risks and benefits, socially significant programs and projects in the pharmaceutical sector are implemented. It has been established that the subjects of interaction between business and the state in the form of public-private partnership are public and private partners, who, when participating in this type of interaction, set different goals and play different roles. It has been established that this type of partnership has great development prospects, which will contribute to increasing the competitiveness of the pharmaceutical sector, modernizing the health care system, improving the quality of health services delivery and access to medicines. The development of public-private partnerships as a form of interaction between the state and business in the pharmaceutical sector is an effective mechanism for the modernization of the entire sector.

## CONSENT

It's not applicable.

## ETHICAL APPROVAL

It's not applicable.

## COMPETING INTERESTS

Authors have declared that no competing interests exist.

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