

# Special Economic Zones of the Border Region as Accelerant of Its Innovative - Investment Development

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**Abstract.** In the article it is discussed the particularities of mechanism of the special economic zones (SEZ) based on using advantages of public and private partnership. At present the SEZ of technical implementation type are the most perspective . In this work the possibility of creating the economic zone on the territory of one of Russia border regions, that is Belgorod region, is studied within problem solution connected with raising its competitive ability.

## 1. Introduction

Recently, in the practice of regional management, there has been observed an active use of the mechanism of special economic zones (SEZ) for the implementation of economic policy, which is considered as one of the most effective ways to improve the competitiveness of the border region based on the modernization of its production sector, activation of innovative activity and creating conditions for the realization of large-scale investment projects.

## 2. The materials and methods

The etymology of the term "public-private partnership" is identical to the phrase used in the English speech: "public private partnership" (PPP). However, modern scientific literature does not give a single understanding of the Institute. Some authors write about public-private partnerships, while others focus on public-private partnerships. The semantic difference of the concept under consideration is related to the source of the initiative: from the top – from the state or from the bottom – from private business, and this is essential. In the world practice, the concept of "public-private partnership" has been established, although individual structures and experts still use the formulation of private-public partnership.

The definition proposed by the UN is as follows: PPP is voluntary cooperation between representatives of the public (public) and private (non– public) sectors, in which all participants agree to cooperate to achieve a common goal or solve certain tasks. British scientists propose to treat PPP as "an agreement between the public and private sectors on the provision of public services or infrastructure". The Canadian public-private partnership Council, however, defines it as "a public-private joint venture based on the knowledge and experience of each partner and best suited to the well-defined needs of society through the rational allocation of resources, risks and revenues". Thus,

the General understanding of this ellennistica understanding of what each party brings to the partnership project that is the benefits that it brings, defining as the final goal of effective udovletvoritelnitsu companies.

PPP is a scheme for the implementation of investment projects (mainly in the field of infrastructure) on mutually beneficial terms for business and the state. The state receives a functioning facility, savings on financing its construction or reconstruction, entrepreneurs – earn money for the subsequent operation of the facility.

With the development of PPP in the field of infrastructure, the state can shift the focus of its activities from specific problems of construction and operation of facilities to administrative and control functions.

The process management of creation and functioning of the special economic zone should be carried out within the framework of the concept of regional competitiveness, which is an integral characteristic of the socioeconomic system development. On the territory of the SEZ there is created special conditions for the construction of infrastructure, the part of the cost is borne by the Federal budget. Also, residents of the special economic zone may use certain tax and customs preferences, administrative barriers are reduced. SEZ residents have the opportunity to use preferences only from the very beginning of the investment project.

In the initial stages, the region does not get instant benefits, because it has to invest in the construction of infrastructure and to exempt residents from the part of taxes. In the process of planning a special economic zone, there are usually three stages: at the first preparatory stage, infrastructure construction takes place, at the second stage, SEZ residents begin to implement their innovation and investment projects and at the third stage SEZ residents actively carry out their production activities. Partly at the second stage, but mostly at the third stage, the region can certainly appreciate the benefits of attracting investments, creating new jobs and developing innovative-technological production [1,2,5].

When creating a special economic zone, regional competitiveness increases due to the growth of its individual potentials. Regional competitiveness is an integral characteristic, and it should be considered many rates of determining it. Among them it should be allocated the volume of gross regional product, the volume of attracted national and foreign investments, the living standards of the region's population. The volume of innovative projects realized by SEZ residents increases, the volume of attracted national and foreign investments grows, new jobs are created, the volume of gross regional product and the share of regional production in the all-Russian market expand [3,4].

If we consider the process of creating special economic zones throughout the country, it can be noted that there is a specific background in many entities. The creation of agro - industrial clusters, the formation of industrial cluster networks, as well as innovative industrial clusters of small enterprises may refer to the most significant ones. However, the presence of certain factors does not mean the automatic creation of a special economic zone on this territory.

In order to prepare a complex application for creating SEZ, it is necessary to conduct a number of interdependent activities and conditions: to determine a set of conditions necessary for the SEZ project implementation in certain industries; the existence of initiatives among the possible future residents of the region and their support by local authorities; the presence of close cooperation between enterprises in these industries; innovative orientation of enterprises and their desire to increase competitive advantage on the basis of industrial and technological cooperation, achievement of interests balance, costs reduction; prevention of "dispersion" of industry resources.

In general form it can be highlighted the following main features of SEZ mechanism: the existence of a large enterprise or a scientific school, defining innovative economic and other strategy of the whole system; the territorial localization of economic entities; the stability of economic relations and market interactions between project participants; long-term coordination of system participants ' interaction within its industrial perspective, innovative and other programs and plans; innovative orientation of the special economic zone [2,5].

Belgorod region as a border region has all necessary prerequisites for creating SEZ which are able to transform the innovative potential of the region, to intensify and to modernize innovative processes. The advantages of Belgorod region are follows: the concentration of scientific educational and transport and logistics functions, the financial flows, the human development, the relatively well-developed infrastructure network, the favourable geographical location and climatic conditions, quality soil resources. Among the real problems it should be allocated socio-economic and political differences with Ukraine, Belgorod region has common border with Ukraine. The result of the current affairs is a significant barrier in mutual foreign trade, and, accordingly, in common projects of a possible SEZ in Belgorod region.

The principle of public-private partnership in the SEZ is that the state undertakes the creation of basic engineering infrastructure without which it is impossible to develop private investment projects. The communications, roads, power grids and others are needed. Furthermore the state creates favorable conditions for business development that is customs and tax benefits.

These conditions make it possible to attract investors with advanced technologies of production and management whose products or services are export-oriented or import-substitution-oriented. The contribution of private business is new enterprises, products and technologies, new jobs, and moreover it promotes economic growth and development of regions. All conditions for construction and production have already been created in industrial SEZs. The infrastructure of innovative developing zones is in high degree of readiness and allows investors to expand their projects.

The main criteria for assessing the effectiveness of the SEZ are: public-private investment ratio, number of new jobs created, tax revenues to budgets of different levels. For the subject on whose territory the zone is created, as well as for the governing bodies, the main criterion is the quantitative and qualitative content of residents. Eventually other efficiency parameters depend on it.

This study is impossible without using an appropriate set of methods including statistic analysis, systemic analysis, comparative analysis, deduction, induction. Empirical methods are observation, generalization, analysis.

### 3. Results

The Aurora Park complex can become the possible platform for creation of the SEZ in the territory of the Belgorod region. In accordance with the conception of the Belgorod Intellectual and Innovative System (BIIS) the regional project of creation of the Aurora Park complex was developed.

The realization of the regional project is focused on formation of an intellectual and innovative system, "smart" workspaces with involvement of strategic partners and investors for construction of the complex of production, residential, office real estate and social infrastructure having necessary characteristics for providing the comfortable environment of stay for talented people and the accelerated productive development of the innovative directions of the region's economy [2.5].

The projects planned for realization in the territory of the Aurora Park complex will be aimed at the forming of effective innovative chains, creation of innovative elevators from the perspective idea before commercialization and entry into the domestic and world markets with hi-tech competitive products. The territory for placement of this regional project is the Southwest district of the Belgorod city.

Separately, it should be noted that in the territory of the SEZ is not allowed: development of mineral deposits and their production; metallurgical production; processing of minerals; production and processing of excise goods.

The resident of the SEZ has no right to have branches and representations outside the territory of the SEZ. The main criterion of compliance of the project of the potential investor to SEZ type – conducting the related activity. According to the adopted amendments to No. 116-FZ period of validity of the SEZ of all types makes 49 years. In respect of residents of technology development SEZ provide decrease in a rate of social contributions.

#### 4. Discussion

It is established that in addition to legal, conditions for creation and successful functioning of the special economic zone carry financial and economic, marketing and communicative, welfare and ecological character. These conditions should be evaluated regarding their compliance and be in conflict with activity of the SEZ.

Economic requirements to special economic zones following: the sum of internal transactional expenses i.e., expenses of residents should not exceed the sum of external expenses; the sum of negative outer effects should not be higher than the sum of tax, customs and other preferences.

If reasoned of the things of creation special economic zone the adequacy of the SEZ's purposes and the border area needs originally to define. In this let's be clear to specify strategic objectives to set the tasks of the special economic zone proceeding from a vector of the development planned by the manual. In particular, the government of the Belgorod region selected the strategy of the innovation break – the "smart" city with the broadest use of energy saving technologies that closely correlates to the purpose of the technology's creation of development zone aimed at the innovation activity and creation of agglomerations with the high level of life and education and most sparing mode for the environment [2].

#### 5. Conclusion

Using of the mechanism of the SEZ for creation in the Belgorod region of industry research and production structures claims actualization of a number of serial operations which can be taken as a basis for complete territorial policies. This policy should be directed to expansion and effective use of the innovation capacity of the region, its transformation into one of the centers of the innovative development stimulating high-quality conversion of the enterprises, the industries, territorial and production complexes.

Proceeding with using the mechanism of the SEZ it is necessary to identify accurately and unambiguously the substance of model of the special economic zone, methods of its implementation about innovation positions and also necessary organizational and economic conditions.

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