

## Instruct and entrust

The principal function of state is to ensure that national priorities are achieved and this is not possible without active involvement in economic processes. The latter may take the form of direct participation in ownership (including operational management) and in various forms of indirect impact on economic life (from multiple tools of monetary policy to purchase of products and services for fulfilling a variety of public functions).

Purchasing products and services by the state is so significant that it has an impact not only on the total national demand but also on ways whole sectors of economy and territories develop. Quite often, beside meeting its demand the state tries to achieve other targets through focused support of science, education, hi-tech and ecologically friendly producers while staying within the rigid boundaries of budgetary assignments and restrictions.

The latter target is far from easy if the market of goods and services does not exist or is poorly developed. Other obstacles may be a lack of transparency and complexly entangled relations of buyers (public structures), suppliers and various intermediaries in an imperfect market.

As a result of the above circumstances we see that the state seeks to rigidly regulate the purchase processes. This is yet more difficult as the purposes of public purchases as well as the criteria if their efficiency are hard to align: saving on public spending does not go well with support of promising directions of change in the economic structure or with ensuring public health care (the paper by O.P. Valieva). Moreover, the criterion of minimizing current public expenditures does not correspond well to the necessity of rationalizing their total volume (the paper by V.V. Melnikov and G.P. Litvintseva). Despite obvious savings on the price of purchased goods and services, the very process of public purchase brings about growing total costs due to complications and rigidity of prescribed 'competitive' procedures as their maintenance and support cost more than the purchase itself. Alas, putting organization of public purchases on the first place and turning this into a purely technical procedure fails to reach a compromise between various targets or raise administrative efficiency or transparency of public purchases.

If one considers the facts that most participants of the public auctions are not suppliers themselves but intermediaries and dealers, prior agreements are often reached between sellers and buyers, indicators of electronic trades are manipulated by interested parties, the overall picture seems even less attractive and leaves little hope about the potential of the existing contracting system.

We believe that the following factors make purchasing activity successful:

a) understanding the real economy (practice as opposed to the ‘image’ of economy envisioned in prescriptions and expectations of an ‘interested’ lawmaker) (the interview of N. V. Sycheva);

b) taking into account of opinions and direct participation of various associations of producers and suppliers in order to build and develop market trust and employ reputational mechanisms on that basis (the paper by M. Y. Malkina and A. V. Vinogradova);

c) having alongside the adequate legal field for supply of goods and services a system of stimuli and reference points for improving and developing this activity (the paper by V. V. Melnikov and G. P. Litvintseva).

There is little competition when “60–70% of all purchases are from monopolists”. In similar cases there is little sense to mask a direct (de facto) purchase with a competition or an auction. Main efforts should go into contract details with all necessary components – from acceptance to expertise of purchased works and services (the interview of N. V. Sycheva).

To overcome the above ‘vestiges’ of purchasing activity, all the participants need to be involved in the process of preparation and decision-making. In a sense this means introducing elements of civil society into procedures of coordination, selection and approval of suppliers, sellers and their representatives.

In this connection it is hard to overestimate the impact of associations and unions of manufacturers and sellers. These may be created directly by business representatives as well as with active public participation. This is especially important in such spheres that are highly monopolized and linked to key public functions.

Thus, the Mining Charter of the Russian Empire (the 1893 edition with amendments of 1902) contained a clause on creation and operation of miners’ congresses:

“Article 35. The minister of public property has to convene wherever and whenever appropriate congresses of miners of the Ural ridge as well as Moscow basin and the south of Russia chaired by the minister himself or those appointed by him in order to discuss issues pertinent to the needs of the local mining industry...”\*.

Such congresses discussed and determined among other issues the needs of miners but they also helped to form reputations of suppliers of various industrial products for public needs.

In the present day Russia the question of how one can overcome public imperfections as well as even more imperfect market remains open. National projects do not cancel these hot issues from the agenda, but make them ever more urgent. Among the crucial questions is the one concerning participation of regions in those processes – from modifying purchase procedures with account of local specific features to a degree of influencing the purchase activity in general.

As far as our country is concerned we are talking more about timeliness and regularity of public financing of its share in this or that initiative. It is still early to speak about efficiency and results of purchase activity as part of national projects implementation. However, these obviously depend on reasonable combination of prescriptive procedures and the degree of freedom of all purchase process participants.

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\* The collection of decrees on mining industry. Part two. On congresses of mining (gold, oil) industrialists. Articles 35, 36 and 552–555 of the Mining charter // Count A. A. Devier and V.R. Bredov “The collection of decrees on mining industry”. Volume 1. – 294 p. + Supplement 442 p. St-Petersburg: Printing house of M. M. Stasyulevich. 1904. P. 167–211 [P. 24].