

## **Research Article**

# **State Procurement Mechanism for Agricultural Products in Modern Russia**

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### **ABSTRACT:**

The article analyzes the mechanism of state purchases for agricultural products in Russia. They outlined the proposals of the authors on the improvement of economic and legal mechanism in the sphere of agricultural product state purchases. They studied the experience of foreign countries in the sphere of agricultural product state purchase organization. There is a need for the development of state food funds under different schemes of contract implementation that allow to prevent corruption by agricultural producers and their cooperatives. They studied the experience of foreign countries in the sphere of state purchase organization for agricultural products. Importance is attached to the monitoring of federal purchases, the performance of which is possible with the management of the federal procurement policy. Importance is attached to the monitoring of federal purchases, the performance of which is possible on the management of the federal procurement policy. The contractual system in the field of procurement for state and municipal needs is interpreted by the law as a set of participants in the procurement contract system. One of the most urgent problems in the system of public procurement, typical for most countries, including Russia, is the discrepancy between the actions of state officials who select the producers of agricultural products for procurement and the interests of the state, which generates corruption.

**Keywords:** public procurement, competitive bidding, contracts, cooperation, legal regulation, producers of products, food funds, agricultural products, economic and legal mechanism.

## **1. INTRODUCTION**

Considering the mechanism of agricultural product state purchase, the authors note that the experience of those countries in which agriculture is under the state care is most suitable for Russia. Buying products from farmers, mostly on a competitive basis, at minimal prices, the state compensates them for possible losses with the necessary equipment and other material and technical resources [21]. Farmers in fact have no problems with the sale of manufactured products and the acquisition of technical means, except for some brands and models. For example, Canada, Australia and

New Zealand can be attributed to such countries [6].

## **2. STUDY PURPOSE AND METHODS**

In this article, the authors analyze the mechanism of agricultural product state purchases in Russia. They stated the suggestions on the improvement of the economic and legal mechanism in the sphere of state purchases for agricultural products [22].

Using the competitive methods of public procurement on an electronic basis, and implementing strict financial control, regulated by the relevant legislation, being in close cooperation at the level of intergovernmental

agreements, these countries occupy the leading position in the world on the application of large-scale closed tenders. The state purchases of products are carried out on the basis of the created own electronic system.

The dependence of Australia and New Zealand economy on transnational monopolies does not allow to implement the mechanism of public procurement fully, except for agricultural products. But in the agrarian sector, they have to resist the dumping from foreign suppliers, especially during the operation within WTO conditions. Such manifestations are monitored by government agencies that monitor that local suppliers are given fair participation opportunities. Especially this requirement applies to the states where they are less developed and their development is lower than the development of other territories [8].

Studying the experience of foreign countries in the sphere of government purchases organization for agricultural products, it should be noted that it is rather difficult to obtain an authorized supplier status. It is necessary to pass three instances for this: the management of tenders and the contracting of the Ministry of Finance, as well as the administration of the commonwealth. The evaluation of suppliers is carried out according to the following indicators: favorable customer feedback; conformity of goods and services to agreed standards; sectoral development criteria (for information technologies and office equipment); financial stability; the compliance with public policy requirements; the compliance with the rules of an authorized supplier status.

In Australia and New Zealand a considerable attention is paid to the development of economic security system, which includes the following elements of planning: the determination of specific objectives for environmental protection; a list of environmental issues and impacts associated with the performance of contract work; The documentation of measures taken to be approved by a relevant agency and meeting the requirements of the tender documentation; a fair determination of a contractor and a subcontractor responsibility in the field of environmental protection.

The procurement of products for state needs is carried out in the conditions of maximum openness, in particular, by the invitation to participate in tenders through e-mail. There is a transparent system of relations between producers and consumers on the grain market of Australia, based on fairly stable conditions for their economic interaction: grain brokers receive only \$ 10 per ton for their services, about \$ 20 is paid for grain transportation, the price of grain storage makes about 30-40 dollars per ton. Farmers receive about \$300 per ton. The associations of grain producers in the regions and their associations work actively on the grain market in Australia. The department has its own grain storage facilities, grain terminals in ports, it buys wheat from farmers at a secured price and then sells it on the foreign market independently. The accumulations developed during the years of high economic conditions are used to cover the losses that arise when the price of the world market falls as compared to the secured one. Later, the Australian government decided to expand the market and improve the competitive environment. Currently, three major grain operators dominate the domestic market of Australia - Grain Corp, Viterra and CBH Group. They own most of 20 grain export ports, as well as the grain elevators of the country [15].

Due to the increased natural disasters, economic crisis and population growth, there is an important problem of state grain reserve increase in most countries, including its insurance fund, as this has been practiced in a number of foreign countries for a long time. For example, in EU countries and in China they reach about 20%, in Canada - more than 40%, in the United States the amount of the reserve grain fund is determined by the state at the rate of 12-15% of fodder grain gross harvest and 18-20% of wheat grain [14].

It is necessary to note the following from the USA experience. The United States has mostly a centralized procurement system. The procurement is carried out by the Office of General Services. On the basis of applications from ministries, UOU organizes large wholesale purchases, using competitive procedures, especially tenders. The storage of goods is

carried out at the warehouses of the general service department and then they are resold to customers at a wholesale price, with a small percentage deduction to support the life of department. The state offers more than 4 million of products, centrally purchased by the administration of common services, provided the reduction of the costs for procuring procedures. On average, the cost of procurement makes about 2% of the total cost for their implementation.

A special attention is given to the monitoring of federal purchases, the performance of which is possible on the management of the federal procurement policy. At the same time, the policy coordination is carried out by the Federal Purchase Regulation Council. The legislative basis for the public procurement system in the United States is represented by the procurement rules [13].

In the US, electronic technologies are also used to provide business activities, including e-mail, which allows the elimination of paperwork. This reduces the cost of procurement procedure implementation and reduces operation time significantly. Electronic trading is used mainly for the contracts up to 100 thousand dollars. At the same time, information resources ensure the implementation of the abovementioned principles, showing the publicity of the procurement process for public needs, while observing equality and open access to the information on concluded contracts [16].

The following advantages can be attributed to the main advantages of the American information system: it ensures the efficiency and the accuracy of the data provision to congress, presidential administration, federal agencies and the private sector concerning the state of affairs in the contract system on the purchase of products for state needs; it provides information on federal purchases and resource requirements. There are the following disadvantages of the system: an incomplete submission of data by individual federal agencies; an insufficient activity of information resource use on the part of authorities and population; an insufficient information compatibility between the links of the system.

If we consider by the experience of the European Union, the specifics of public procurement organization are the following ones:

- 1) the placement of state orders is regulated depending on the volume by three levels of legislation - international, within the EU and national one;
- 2) during the conclusion of contracts on the supply of products for public and social needs, social goals are taken into account realized in social programs (the correct selection of suppliers, the requirements on working conditions, the exclusion of those suppliers who do not comply with legislation, the use of a set of social criteria, including environmental ones);
- 3) mandatory compliance with legislative objectives.

EU uses mainly two models of public procurement: decentralized and centralized one. The distribution of models is carried out in departments and ministries in accordance with the need for procurement. The creation of a purchasing center is typical for a centralized model, in which purchase applications are concentrated. This model provides low prices, using large volumes of bulk purchases. However, at the same time, the flexibility of procurement transaction conduct is lost.

In EU conditions both models are used, when the general management of purchases is performed by the Ministry of Finance or Economy (planning, control, regulation), and specific procurement departments are directly involved in procurement. The best procurement procedure is considered to be the tenders, which are used by most countries, implementing the following basic principles: transparency, accountability and compliance with procedures, openness and effectiveness of competition, justice [19].

These principles could be supplemented by the observance of continuity, the essence of which is stability (the duration of action).

Then, let's consider the experience of Germany on the limitation of public procurement. The source notes that in Germany the control system includes two instances: the appellate one (in the form of an independent institution) and the

judicial one (in the form of a judicial body). The decision on the placement of a state order can be challenged in judicial execution, and in an accelerated handling procedure concerning the complaints sent to a customer. In this case the proposals of the public organization of experts and scholars "State order forum", which give their proposals to the government, are of great importance. This is especially true for two shortcomings in the existing mechanism of state procurement: the withdrawal from additional obligations prescribed in the relevant provision, and the manifestation of unfair competition acts, as well as the bribing of customer representatives. In order to prevent these manifestations, independent persons are appointed at state bodies. These persons can not be dismissed. Their work on the placement of state orders is controlled by the supervisory bodies and the Audit Chamber [17].

In our opinion, the mentioned experience on the prevention of violations in the actions of state customer representatives can be used in Russia. However, due to almost "universal" corruptness of officials of all ranks, the state order system requires certain adjustments.

Now let us consider the experience of the Republic of Uzbekistan. Most post-socialist countries (former Soviet republics) carry out the state purchases of agricultural products in a traditional way, in which the settlements for state products are carried out according to the developed standards. In the Republic of Uzbekistan, the standards of costs for material and technical resources and for the advancing of a new crop are carried out by the Agrobank and the Ministry of Finance.

There is "settlement fund" for agricultural products purchased for state needs. This fund created by these structural units allocates targeted funds to the regional branches of the Agrobank for the advancing of agricultural producers to supply agricultural products, the sizes of which are determined on the basis of the forecasted demand for funds. The procurement prices are determined by the relevant government structure, which is often unprofitable for farmers, especially if the procurement plan is not implemented [11].

### 3. STUDY RESULTS

The following types of bidding are used in world practice: for the supply of goods (for the purchase of mainly industrial products); for the performance of works (for the performance of building and construction - installation works); for the provision of services (in cases of qualified experts - consultants hiring for the implementation of various projects). The main criteria for a bidder selection as the winner of an auction are the price and the quality of products or services.

The foreign experience of electronic procurement is explained by the use of Internet technologies which allow:

- to reduce the time to draw up well-known documents for competitive bidding;
- to increase the number of product suppliers and simplify the participation procedure in competitions;
- to reduce the losses of budget funds and products arising from the corruption in public procurement.

A number of countries (Canada, Australia, Saudi Arabia and others) have switched to the so-called "e-government" system for a more effective interaction of suppliers, contractors and the government. At the same time, the activity of "e-government" is carried out taking into account the following factors: the development of commerce, including electronic one; the readiness of legislation; the structure of economy by ownership forms; the level of Internet technologies development [18].

In our opinion, the first and the second factors are more suitable for Russia, as they are more developed. Although the other two are also important, since there is the problem of economy dystrophy overcoming, especially in industrial regions where the agricultural sector is financed by a residual principle. This does not allow to computerize agricultural commodity producers and it is impossible to use the electronic system of state purchases for now. Therefore, it is advisable to use its mixed version, where the applications from the representatives of agricultural suppliers are concentrated at first among a customer's representative - a member of the agricultural

marketing cooperative (among the workers of an agricultural enterprise or a household, as well as the farmers who are provided with a computer and use Internet). Then applications are sent electronically to a regional marketing cooperative, and then to the higher authorities, as it is represented in the main structure interaction mechanism of the public procurement system [10].

The contractual system in the field of procurement for state and municipal needs is interpreted by the law as a set of participants in the procurement contract system "... (executive bodies of different levels), customers, procurement participants, including the recognized suppliers of authorized bodies and institutions, specialized organizations using a single information system in the field of procurement ... in accordance with Russian Federation legislation on the contract system in the procurement sphere ... "[2].

A supplier (a contractor, an executor) is represented in the Federal Law by "a set of actions that are carried out by a customer in accordance with the procedure established by this federal law, starting with the placement of a notice on the procurement of goods, work, the services on state need or municipal needs provision", or in the cases stated by the present federal law with the invitation to participate in the definition of a supplier (a contractor, a performer) and ending by a contract conclusion [3].

Order placement plans - schedules for agricultural goods delivery to a customer are presented on an official website, as stipulated by a new law. At the same time, two trends of vendor definition can be used: competitive ones and the purchase from a single supplier. In our opinion, the most acceptable forms for agricultural products are the following ones: an open tender, an auction in an electronic form, a request for proposals from a supplier.

Three models of regional funds development are singled out:

1) liberal one - the narrowing of the local administration activity in the development of the food fund, bypassing the direct interactions with agricultural organizations;

2) command - administrative one - the obligation to supply agricultural products with subsequent distribution among consumers on the basis of contracting;

3) intermediate model is similar to the command-administrative one, but without the guarantee of procurement.

#### 4. CONCLUSIONS

One of the most urgent problems [20] in the system of public procurement, typical for most countries, including Russia, is the discrepancy between the actions of government officials who select the producers of agricultural products for procurement and the interests of the state, which generates corruption.

According to the source, "... it is impossible to find a country with no evidence of corruption in government bodies; it is present in both developed and developing countries. The things which are common practice in one country, make a criminal act in other ones..." [5].

This statement is confirmed by the fact that several forums of international level were devoted to the problem of fighting corruption in government institutions. Since October 1983, when the first international conference on corruption was held in Washington. such forums were held regularly (1992 - in Amsterdam, 1995 - in Beijing, etc.).

According to the experience of foreign countries, it would be advisable to include an entire known set of requirements in Russian legislative framework:

1) the optimization of procurement for public needs at minimal costs for this process;

2) the provision of equal conditions for competition during a contract conclusion;

3) the compliance with publicity requirements;

4) the meeting of an honest and open business requirements;

5) the assisting for small and medium-sized enterprises in government order obtaining;

6) the introduction of a dual system to monitor the activities of agricultural product public procurement organization planning under various schemes for the implementation of contracts that allow to fight the corruption of agricultural producers and their cooperatives, as

well as civilian councils of rural settlements, with the involvement of Agrarian Policy department under the State Duma of Russia.

## 5. CONFLICT OF INTERESTS

The authors confirm that the presented data do not contain a conflict of interest.

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