

II International Scientific Conference GCPMED 2019
"Global Challenges and Prospects of the Modern Economic Development"**FOREIGN EXPERIENCE OF PUBLIC-PRIVATE PARTNERSHIP**
FOR RUSSIAN INFRASTRUCTURE PROJECTS

V. Karasev (a), G. Chahkchiev (b)*, O. Polischuk (c)

*Corresponding author

- (a) Financial University under the Government of the Russian Federation, Moscow, Russian Federation, Leningradsky Prospect, 49, 125167, vakarasev@fa.ru
- (b) Financial University under the Government of the Russian Federation, Moscow, Russian Federation, Leningradsky Prospect, 49, 125167, GGChahkchiev@fa.ru
- (c) Financial University under the Government of the Russian Federation, Moscow, Russian Federation, Leningradsky Prospect, 49, 125167, oapolischuk@fa.ru

Abstract

The urgency of improving the mechanisms of formation and effective use of public-private partnership in the socio-economic sphere is determined by the need for further development of industrial and social infrastructure, ensuring the growth of regional competitiveness on this basis. The article summarizes the experience of project management implemented on the principles of public-private partnership, both in the Russian Federation and abroad. The analysis of public investments in public infrastructure showed that their volume is insufficient, the distribution is uneven, both at the inter-sectoral and interregional levels. Unlike many foreign countries, the Russian Federation has historically developed special conditions that require specific approaches to solving infrastructure problems. The experience of implementing PPP projects by European and developing countries has a positive impact on the formation and implementation of strategies for socio-economic development of the Russian Federation as a whole and its individual regions. A condition for successful implementation of sectoral and state infrastructure projects on the principles of public-private partnership is the creation of a favorable investment climate. However, in recent years there has been a steady decline in private investment in public infrastructure. There are certain problems with the financing of public-private partnership projects by Russian insurance companies, pension funds and other credit institutions. In the banking environment, preference is given to lending only to short-term investment projects. The characteristic principles of financing of these projects in the Russian Federation are considered and ways of increase of efficiency of their realization are offered.

2357-1330 © 2020 Published by European Publisher.

Keywords: Public-private partnership, industrial and social infrastructure, private investment.

This is an Open Access article distributed under the terms of the Creative Commons Attribution-NonCommercial 4.0 Unported License, permitting all non-commercial use, distribution, and reproduction in any medium, provided the original work is properly cited.

1. Introduction

Currently, the country has a situation where the active growth of public needs is limited by the financial resources of the state, which leads to the need to use projects implemented on the principles of municipal-private partnership (MPP) and public-private partnership (PPP).

At the same time, the development and implementation of such projects at the regional and local levels, which determine the quality of life of residents of a particular territorial entity, becomes relevant due to the fact that attracting additional investment is the purpose of increasing the efficiency of their socio-economic development. Since the implementation of public-private partnership projects is one of the most important factors in increasing investment and innovation activity, the development of industrial and social infrastructure, the growth of competitiveness of the region and the country as a whole.

In this regard, increasingly, there are problems with the development of the necessary professional and important competencies in the field of project management of state and municipal employees, the formation and training of teams capable of project management on the basis of modern standards and technologies (Yurieva, 2016).

2. Problem Statement

The problem of infrastructure investment has long been discussed, not only in the expert community, but also at the highest Russian government level, as it is considered one of the most effective tools to stimulate economic development. In addition, the infrastructure development of the country has become one of the priority topics of the new political agenda of today, stated in the Presidential addresses of recent years.

It is obvious to all that spending on infrastructure in the Russian Federation, at the present time, must be constantly increased. But first of all, it should be connected with the realities of the country's economic development and the assessment of its own needs.

In recent years, real investments, budgets of all levels in infrastructure projects remained unstable. This is confirmed by the annual reports of the Treasury of the Russian Federation on the development of consolidated budgets of the subjects of the Russian Federation and budgets of territorial state extra-budgetary funds in the execution of the Federal targeted investment program of the Russian Federation and individual articles of state programs of an investment nature by industry.

3. Research Questions

According to the reports of the Treasury of the Russian Federation, the average value of public investment in infrastructure projects is about 1.9 % of GDP. At the same time, private investment and investment of municipal authorities account for about 1.38% of GDP.

In addition, the analysis of the volume of public investment in public infrastructure showed that their distribution is uneven, not only in the sectoral aspect, but also in the regional as well. For example, leaders on volume of investments in the consolidated budget are: sectors - transportation, and regional - Central and North-Western Federal district, cities of Federal significance.

Analysis of private investment in public infrastructure, which ranged from 1.0 to 1.3 trillion. It shows that in recent years (2012-2017) there have been downward trends—from 1.7-1.8 % of GDP in 2012-2013 to 1.0-1.2 % of GDP in 2014-2016. The same trend, to a slight decrease, has developed for public investment in public infrastructure, which is not typical for similar to Russia, in economic parameters, countries, but aimed at advancing the pace of development, such as China and India.

China invests in public infrastructure about 7-8 % of GDP, and India 4-4.5 % of GDP, and India also announced an increase in public infrastructure spending by another 20 % (National center for public-private partnership, 2018). In addition, the decline in public investment, which has emerged in recent years, will be offset by the active development of PPP.

From the point of view of global indicators of investments in key infrastructure sectors, the data characteristic of Russian investment volumes coincide with the trend of economically developed countries, but these countries face infrastructure challenges of a slightly different type. Russia's level of investment in industrial and public infrastructure is very similar to Brazil and South Africa, so the economic results are similar, in terms of a steady decline in GDP per capita. Currently, the global practice is such that the demand for infrastructure investments significantly exceeds the annual actual investment. In this regard, global trends are confirmed in the Russian Federation, according to experts, the forecast uncovered need for infrastructure investment in 2019 is 1.6 trillion RUB.

4. Purpose of the Study

In this regard, the question arises—whether Russia is keeping up with the needs for financing this sphere in terms of public investment in industrial and public infrastructure. According to experts, it would be useful to consider the practice of foreign countries as an indicator of the volume of financing of sectoral and public infrastructure projects.

Investment of sectoral and public infrastructure projects in accordance with the programs, budget and statements of the authorities is carried out on the basis of infrastructure theses, presidential Addresses to the Federal Assembly, the strategy of spatial development of the Russian Federation.

To date, in Russia, sectoral and public infrastructure projects, in accordance with the above, are financed in the following volumes (see Table 01).

Table 01. The volume of investments in industry and public infrastructure projects

№	Spheres of investment	Volumes of investment in billion rubles.
1	Transport	950
2	Information and communication	50
3	Social	200
4	housing and communal services	300
5	Other	100

Source: authors based on INFRAONE (2019)

Until 2020, according to the documents, up to 2.9 trillion is planned to be spent on state social assistance (SSA) and 20 investment projects financed from the budget. However, such volumes of

financing can be attracted only within the framework of consolidated financing of the state and private investors. Such cooperation to cover the financing needs in 2019 is planned to be carried out in the following proportions: PPP-0.5; budget maneuver-0.4; new budget sources-0.9. The specific amounts of funding requirements in 2019 are presented in Table 02:

Table 02. Financing needs for industry and public infrastructure projects in 2019

№	Areas of investment	Investment volumes in billion rubles.	
		Budget	MPP
1	Health	114,7	30
2	Sport	33,4	20
3	Education	44,3	20
4	Culture and tourism	17,9	20
5	housing and communal services	221,1	120
6	Transport	1357	220
7	Information-communication	15,8	35
8	Agriculture	117,8	22,5

Source: authors based on INFRAONE (2019).

5. Research Methods

At the heart of a research of the procedure of cross-border insolvency, the following methods are used:

- theoretical (collecting basic data);
- statistical (collecting, the report and the analysis of data, processing of the obtained data);
- empirical (studying of the national and international legislative standards regulating holding procedures of bankruptcy and cross-border bankruptcy, standard documentation; observation).

The pilot case law and trial base was the United Nations Library of International Trade Law.

6. Findings

The successful implementation of sectoral and public infrastructure projects on the principles of public-private partnership is due to the readiness of the subject of the Russian Federation to fulfil a number of conditions (factors) that provide a favourable investment climate:

- the presence of a developed institutional environment that ensures high efficiency of the PPP project management system at the regional level, including the information openness of the region;
- the presence of positive experience in the implementation of PPP projects;
- availability of the necessary level of creditworthiness of the regional authorities, ensuring the investment attractiveness of the region and attracting investment in PPP projects.

On the basis of the above factors, experts make a rating of regions, taken into account when assessing the potential of the territory to attract investment in PPP projects. One of the main factors experts believe is the development of the institutional environment in the field of PPP in the region, which is understood as a set of conditions determined by the adopted regional laws that regulate the participation of subjects of the Russian Federation in PPP projects.

The legislation of the subjects of the Russian Federation should ensure the formation and use of legal entities of the Russian Federation, the involvement of authorized authorities or management bodies, the functioning of councils, commissions, working groups for the development of public private partnership, the implementation of PPP development plans in the subject, investment memorandums, etc.

The importance of such a factor as "the Presence of positive experience in the implementation of PPP projects" is determined by the following provision, according to which each implemented PPP project can increase the relevant managerial competence of the authorities of the subjects of the Russian Federation and positively influence the development of public-private partnership mechanisms at the regional level.

Positive experience of PPP projects implementation helps to take into account the following indicators:

- current status of PPP project (implementation stage);
- the amount of funds invested by private investors, the availability of debt financing, with additional evaluation and approval in the credit institution;
- quality study and demand for PPP projects;
- duration of the project, taking into account all stages;
- sectoral differentiation of projects in the subject.

Ensuring the investment attractiveness of the region and attracting investments in PPP projects can be assessed taking into account the data on the rating of investment attractiveness of the regions of the Russian Federation, which is compiled on the basis of the rating of investment attractiveness of each subject.

7. Conclusion

In accordance with this the obtained values of the rating results allow to classify the subjects of the Russian Federation and identify the following categories:

In regions with a very low capacity.

- Regions with low potential;
- The regions with an average potential;
- Regions with high potential;
- The regions leaders.

The indicator "the level of development of public-private partnership in the subjects of the Russian Federation" can be determined by assessing the impact of its constituent factors presented above.

Among the regions in 2017-2018, we can distinguish, for example, five, such as: Moscow, St. Petersburg, Moscow region, Khanty-Mansi Autonomous Okrug, Samara region (Yurieva, 2016).

Compared to 2014-2015, the top five leaders have undergone changes. Then the leading positions were occupied by: St. Petersburg, the Republic of Tatarstan, Moscow (for the first time in the TOP 5), Novosibirsk region and Nizhny Novgorod region. The improvement of Moscow's position was primarily due to the maximum level of investment potential and the implementation of large concession projects in the transport sector (National center for public-private partnership & Ministry of Economic Development of the Russian Federation, 2016).

The global practice of PPP projects in many developed and developing countries has a significant impact on the achievement of strategic goals of socio-economic development of the Russian Federation as a whole and its individual regions.

Recognized leaders in the field of public-private partnership in addition to the United States, are the EU countries, such as the United Kingdom, France and Germany. At the same time, statistics published by the European PPP centre show a significant reduction from 118 to 49 in the number of projects implemented in the field of infrastructure, housing, construction and reconstruction of roads, education, health care on the principles of PPP, in recent years (2009 to 2015).

However, the five major projects completed in 2015 accounted for about 62% of the total value of PPP projects in the European market. Basically, these PPP investment projects were implemented in the transport sector, which accounted for more than 60 % of the total market value of all projects.

The main distinguishing feature of PPP projects in the EU countries, completed in 2015, was that more than 40% were implemented through the investment of funds from institutional investors (insurance companies, pension funds) using different financial models.

For projects in 2015, institutional investors allocated about 1.2 billion euros to participants in the European market of PPP projects with an average maturity of 25 years (maximum-31 years).

Eight countries work with institutional investors in Europe: Belgium, Great Britain, Denmark, Ireland, the Netherlands, France, Finland and Turkey. It should be noted that in addition to insurance companies and pension funds, EU organizations, national governments, state and international financial institutions represented by the European Bank for reconstruction and development participated in the financing of PPP projects (European PPP Expertise Centre, 2016).

Unfortunately, in Russian realities there are no such opportunities. Of the 900 PPP projects for which the relevant contracts have been agreed and concluded, with the total volume of private investments exceeding 640.0 billion rubles, financing was carried out mainly by the executors of these projects, at the expense of their own or borrowed funds. At the same time in the Russian Federation it is possible to allocate PPP projects in which the share of the state budgetary funds reaches 90 and more percent (Jur'eva, 2016).

Unlike the world practice of financing PPP projects, Russian insurance companies and pension funds do not want to risk their investments, and in the banking environment there is a situation of lending only to short-term investment projects.

In this regard, the introduction of international principles of financing PPP projects implemented in the Russian Federation will significantly increase the number of investment sectoral and socially important infrastructure projects, reduce the time of their implementation, increase the pace of socio-economic development of the country.

References

- European PPP Expertise Centre (2016). *Market Update Review of the European PPP Market in 2015*. Retrieved from: https://www.eib.org/attachments/epec/epec_market_update_2018_en.pdf
Accessed: 14.11.2019.

- INFRAONE (2019). National scroll perspective projects. Retrieved from: https://infraone.ru/sites/default/files/analitika/2019/nacionalnyj_perechen_perspektivnyh_proektov_infraone_research.pdf Accessed: 01.10.19. [in Rus.].
- Jur'eva, T. V. (2016) Projects of public-private partnerships at regional level. *Regional Economy and Management: Electronic Scientific Journal*, 4(48). Retrieved from: <https://eee-region.ru/article/4833/> Accessed: 01.10.19. [in Rus.].
- National center for public-private partnership & Ministry of Economic Development of the Russian Federation (2016). *Development state-private partnerships in Russia in 2015-2016. Rating of regions by PPP development*. Retrieved from: http://pppcenter.ru/assets/docs/raytingREG2016_B5_Block_04-04-2016.pdf Accessed: 01.10.19. [in Rus.].
- National center for public-private partnership (2018). *Draft of the national report in terms of development of public-private partnerships 2017-2018*. Moscow: National center for public-private partnership. Retrieved from: <http://pppcenter.ru/assets/files/260418-rait.pdf> Accessed: 01.10.19. [in Rus.].
- Yurieva, T. V. (2016). Project management in the structure of modern management. *Management of Economic Systems: Electronic Scientific Journal*, 11(93), 15. [in Rus.].