

Public Private Partnerships

The question of using Public Private Partnerships (PPP) to support the development of infrastructure to support the Moscow International Financial Centre (MIFC) was a work stream that was added somewhat later to those originally chosen. PPP procurement could be an important tool in helping to deliver the necessary physical infrastructure for the MIFC. However, it is acknowledged that, at this stage, significant work on PPP aspects is further in the future than for other work streams.

In the interim, therefore work is being done on identifying where Russia is currently as regards being able to use PPP for the MIFC project if required. In April 2012 the London end sent Vnesheconombank a series of questions designed to clarify the situation in Russia pertaining to current PPP laws, structures and experience. Vnesheconombank has produced two very helpful papers as a result.

The first paper examines the various PPP models that are available to government bodies in Russia and looks at how these can be funded. There appear to be several key issues which are preventing the more widespread use of PPP in the country. Firstly, many projects are initiated by regional government who, with municipal government, have strict rules to follow as regards debt service expenses and the size of budgeted deficits. Secondly, there appear to be serious problems with the ability of regional and municipal government as regards the capability of officials to manage these complex contracts despite the capacity building efforts that Vnesheconombank is putting into the process. The latter issue is a common one, particularly in former transitional economies and is an area that the UK can assist on. With the former there needs, perhaps, to be an awareness that sometimes it is necessary to make changes in primary legislation to enable a PPP programme to succeed. Both these issues can be discussed further.

The second paper was a useful summary of PPP and other dependant legislation in Russia. This legislation means that the sort of model of PPP seen in the UK will be difficult to replicate in Russia. Again, questions may be asked about the current legislation and whether changes may be made, if desired.

In conclusion Vnesheconombank's papers have provided the basis for further discussion and consultation between UK PPP practitioners familiar with the Russian market and those working with the authorities in Moscow.

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