

B2B: Developing Moscow's Infrastructure Projects Based on Public-Private Partnerships

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According to preliminary data, the potential volume of the portfolio of infrastructure projects of Moscow in the near future may exceed \$200 billion. These plans were discussed at the 9th real estate MIPIM ASIA 2014 summit held in early December in Hong Kong.

More recently, the PPP projects in Russia did not contribute to budgetary savings or reduce project deadlines. At the moment private funding plays a key role in the implementation of progressive experience and can reduce pressure on the state budget. On the one hand, public funding will continue to play this role in the realization of infrastructure projects. On the other hand, the possible participation of private investors makes such projects more attractive.

Investors from all over the world have great interest in Russian projects. As we all could see, recent trends in the foreign policy of some world powers have influenced the change of the vector of Russia's interests towards the development of partnerships with countries of the Pacific region.

But any investor, who is involved in such projects, has some concerns about his rights, the reliability of the implementation mechanisms and about the guarantees of funds repayment.

Correct application of this mechanism requires a theoretical definition of PPP.

In theory there are three kinds of public-private partnerships:

1) The involvement of cooperation between private partner and the enterprise, controlled by the state that allows to sell both the minority and the control interest;

2) The agreement, according to which the state undertakes to buy services provided by the private partner on a long-term basis. The driving force of such agreements is recognized for the private sector advantages in the field of financial management and production management. Such agreements have been concluded on the basis of a concession or franchise arrangements and as a rule they include not only the obligation of the private partner to provide certain services, but also its responsibility for the maintenance and renovation of his assets, and the creation of new assets required to maintain the quality of services provided;

3) A partnership agreement in which the experience of the private partner and its financial capabilities are vital for a project that involves the use of the potential government assets.

In world practice, the most common form of cooperation is the organization of public-private partnership in which the private syndicate, based on a contract with the state, undertakes the development, financing and asset management of the production of certain public goods. The state, in turn, guarantees to maintain the conditions of the implementation of corresponding services/products and to pay a fee, which is determined by the contract.

In practice, the most common form of PPP that allows implementing infrastructure projects is execution of the Concession agreement.

Concession implies that the state gives to the concessionaire the right of exploitation of natural resources, infrastructure, enterprises and the equipment. The objects of the concession agreement are socially significant objects, which cannot be privatized (airports, railways, public utilities, public health and culture services).

The object in such mechanism of public-private partnership is an expensive multifunctional technological complex. Sometimes management of its construction and operation requires highly skilled management resource, which state authorities are not available to provide in sufficient quantity.

Thus, the involvement of private companies in infrastructure projects is very important in modern society.

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