

Assessment of the Possibilities and Prospects for the Use of Quasi-PPP Forms in the Economic Policy of the Regions

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Abstract. Modern practice substantiates the leading role of public-private partnership (hereinafter referred to as PPP) in the implementation of regional economic policy since it helps to resolve large-scale infrastructure issues which are crucial for the sustainable development of our country's regions. In all the diversity of such partnerships, a special place is occupied by quasi-PPP with high controllability on the part of the public partner which is especially important under unstable conditions. This fact predetermines the purpose of the study which is to assess the possibilities and prospects for the use of quasi-PPP in the economic policy of the regions. The methodological basis of the study is the general scientific method of dialectical cognition of economic phenomena. To meet the purpose of the study, a classification of quasi-PPP was developed, their strengths and weaknesses, as well as the results of practical use in Russia were analyzed. All the aforementioned helps to assess the possibilities of using quasi-PPPs from the standpoint of the state, business, and the population and assess their prospects at the regional level. The practical significance of the study lies in the possibility of using the findings in the implementation of regional economic policy.

1 Introduction

Nowadays, the role of economic policy in the activities of Russian regions is increasing. Firstly, the main reason for this relates to the focus of regional economic policy on the development of various forms of entrepreneurial activity, achieving and maintaining a high level of well-being of the population, and ensuring environmental protection. Secondly, it has to do with the application of tools for achieving a balance between economic, social and environmental goals of sustainable development in the implementation of regional economic policy. An integral part of such a toolkit is PPP which is based on combining the resources of public and private partners, distributing risks and responsibilities between them to create an infrastructure for a private partner considering the requirements of sustainable development of the region. One of the manifestations of this goal is to obtain the desired

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economic, social and environmental results from the implementation of infrastructure projects of public importance in response to modern challenges and threats.

The forms of PPP are diverse in their essence. If we consider them according to such a criterion as the scale of compliance with the characteristics of PPP (that are as follows: cooperation between public and private partners; the presence of a document indicating the agreement reached between the participants in the partnership; focus on the development and implementation of socially significant projects financed from various sources; transfer to a private partner of public functions related to the infrastructure creation and development; compilation of partners' resources, the distribution of risks and responsibilities between partners), then it is possible to distinguish the forms of classical PPP and quasi-PPP. Given the Latin origin of the word *quasi* which is "supposedly, imaginary, fake", we emphasize that the forms of quasi-PPP, in contrast to the classical forms, partially correspond to the criteria of such a partnership.

2 Materials and Methods

The study shows that some authors PPP study as a whole when considering the theoretical and practical aspects of its forms [1-8], while others focus on the quasi-component of such a partnership [9-11]. At the same time, without reducing the importance of the scientific works of these and other authors, it should be noted that there is no specific study of the forms of quasi-PPP in the context of regional economic policy.

The methodological basis of the study is the general scientific method of dialectical cognition of economic phenomena. In the study, the following methods are also used: analysis (it contributes to determining the results of the implementation of quasi-PPP projects in Russian regions); synthesis (it ensures the unification of quasi-PPP forms into a whole); logical methods (they help identify strengths and weaknesses of quasi-PPP forms, as well as the possibilities of their application in Russian regions); expert evaluation (it helps identify prospects for the use of quasi-PPP forms in the implementation of regional economic policy). The empirical basis is comprised of the data of the Rosinfra platform and InfraOne Research (the research division of the InfraOne investment group).

3 Results and Discussion

Depending on the legal formalization of cooperation between public and private partners, the forms of quasi-PPP can be divided into two groups.

The first group includes the following contracts:

1) Offset purchase agreement involves the implementation by a private partner of the opening, modernization, development of production, if they receive long-term guarantees for the purchase of products and the status of a single supplier. As of now, the share of projects implemented under such an agreement in relation to the total number of quasi-PPP projects is extremely low. For example, in 2022 it was about 1%. The same value corresponds to the volume of investments attributable to these contracts in relation to the total investment of all quasi-PPP projects. At the same time, in the future an increase in the scale of application of offset purchase agreements is expected due to high strategic importance of the development of the production of technically complex, industrial, import-substituting products.

2) A long-term contract with investment obligations is based on public procurement under which a private partner creates and operates infrastructure facilities, and a public partner, represented by a legal entity with a certain share of state participation in its authorized capital, provides financing. The advantages of such an agreement are the maximum flexibility of structuring the project, procedural efficiency for its conclusion and

no commercial risk of payment collecting. However, for a private partner, there is a risk of non-fulfillment by a public partner of its obligations. As modern Russian practice shows, these contracts are the most capital intensive among other forms of quasi-PPP. For example, in 2020-2021, the volume of investments attributable to them averaged about 35% of the total investments of quasi-PPP projects.

3) A lease agreement with investment obligations involves private partner's investments in the reconstruction, modernization, restoration of leased property owned by the state. The contract is characterized by flexibility in establishing investment obligations of the private partner due to the fulfillment of which they receive rent benefit. However, there is no provision for budget financing of expenses related to reconstruction, modernization, restoration of the leased property, and there are also risks caused by the revision of the rental price by the public partner unilaterally. Despite these drawbacks, such an agreement is one of the most common forms of quasi-PPP. For example, in 2020-2022, its share in relation to the total number of quasi-PPP projects averaged 38%. In value terms, it is close to 15% of the total investment attributable to quasi-PPP projects.

4) The creation of a special project company is associated with the formation of a joint legal entity for the reconstruction, construction, operation of infrastructure facilities. A public partner can take direct and indirect participation. The balance in partners' interests is achieved according to the share of their participation in this company. The terms of cooperation are specified in the corporate agreement. Despite the fact that in a special project company partners are in closer relations compared to other forms of PPP, at present this form of partnership has not received proper development. Thus, in 2020, the share of the corporate form of partnership was 4% in relation to all forms of quasi-PPP, and the volume of investments attributable to it was 10%, respectively.

The second group includes contracts:

1) The life cycle contract involves the implementation of a set of works by a private partner, starting from the design of the object provided for by the contract and ending with its maintenance. Despite the long-term capacity utilization, the private partner faces a high level of risks, in particular those associated with setting the initial (maximum) price of the contract without taking into account external factors in its calculation, significant impact of the operational indicators of the object on the profitability of the project, impossibility of solving property issues within the framework of the contract to create favorable conditions for its execution. Taking into account these risks, it can be assumed that it is one of the main reasons for the small number of life cycle contracts concluded in the Russian PPP market. For example, in 2022, this indicator was close to 7% in relation to the total number of quasi-PPP projects. At the same time, investments attributable to such contracts accounted for almost a fifth of the total investment of quasi-PPP projects.

2) The energy service contract is aimed at the construction and maintenance of infrastructure facilities to achieve energy saving and increase the efficiency of using the energy resources by the public partner. Payments in favor of the private partner are made through energy savings, and the transfer of ownership of infrastructure facilities to the public partner has no additional cost. In this case, it is noteworthy that there are certain difficulties associated with the calculation of the energy-saving effect and the assessment of the risks of the implementation of such contracts. Nevertheless, the popularity of energy service contracts is determined by significant energy saving potential for energy assets located at infrastructure facilities as well as by the regional focus on sustainable development. For example, in 2020-2022, they accounted for about 30% of the total number of quasi-PPP projects. However, the volume of investments attributable to such contracts does not reach 1% of the total investment in quasi-PPP projects.

3) The special investment contract provides for the private partner's creation, modernization, and development of industrial production based on modern technologies with

state support. In turn, the public partner ensures stable conditions for conducting such activities and the implementation of measures to stimulate them. Unfortunately, as of now, due to the lack of the necessary regulatory framework at the regional level governing special investment contracts, the number of implemented contracts is extremely low. For example, in 2020, there was only one contract. Therefore, there are urgent issues of creating legal, organizational, and other conditions necessary for the formation and growth of business interest in concluding special investment contracts.

Thus, the possibilities of using quasi-PPP forms are manifested in the following functions of a private partner:

- design, construction, reconstruction, modernization, restoration, operation, maintenance of infrastructure facilities;
- creation, modernization, development of production of high-quality and affordable products using modern technologies;
- contribution to energy saving and growth of energy efficiency.

The increased interest of regional authorities in participating in quasi-PPP projects is predetermined by the ability to optimize the budget expenditure, increase tax revenues, create new jobs, increase the scale of import substitution, localize the production of technically complex products in the regions and rationally use natural resources. In turn, the private partners are interested in such projects due to obtaining opportunities related to:

- ensuring a stable financial condition, mainly by increasing revenues and obtaining various preferences from the state;
- increasing competitive advantages and improving the market position;
- formation and strengthening of a positive business reputation.

As for the population, there is a direct connection between the possibilities of quasi-PPP forms and the implementation of educational, health-saving, creative and other directions of individual development.

4 Conclusion

As for the prospects for the use of quasi-PPP forms, we note their high demand in modern unstable conditions. For example, in 2020, under the influence of the COVID-19 pandemic, the share of quasi-PPP projects in the Russian PPP market increased by 8.3 percentage points compared to the average value of this indicator for 2016-2018. In general, in 2020-2022, the average share of such projects was 18.3%. One of the factors intensifying the growth of quasi-PPP projects was the state stimulation of ensuring the technological sovereignty of our country based on the expansion of offset contracts and special investment contracts largely predetermined by the influence of anti-Russian sanctions.

Favorable prospects for the further development of quasi-PPP are largely related to their high manageability on the part of the public partner, the possibility of implementing infrastructure projects with low payback (for example, in the social sphere) and ensuring an acceptable cost of infrastructure services. It should be noted that the intensification of implementing quasi-PPP forms by regional authorities is due, on the one hand, to certain difficulties in attracting private investors due to the high cost of lending, and, on the other hand, to the availability of access to sources of cheap borrowing due to the fact that regional development corporations are beneficiaries of special project companies. An example of quasi-PPP actively used in Russian practice is a concession agreement in which the concession grantors are the Russian regions, and the concessionaires are subsidiaries of regional development corporations. Thus, in 2016, 11 such agreements were launched, whereas in 2021 this number doubled. As for the volume of investments attributable to these agreements, we note that until 2020 it did not exceed 10 billion rubles, in 2021 it reached 30 billion rubles, and in 2022 - 50 billion rubles. The leading role in the investment volume in

the implementation of concession agreements on the quasi-PPP model have the Magadan, Nizhny Novgorod and Sakhalin regions which account for about 85% of investments in quasi-PPP and a third of the total number of such projects.

At the same time, the use of quasi-PPP forms can lead to such negative consequences as:

- growth of the debt burden and off-balance sheet liabilities of the state;
- violation of the balance of rights, obligations, risks of partners in PPP projects;
- decrease in competitiveness in the choice of a private partner and, as a result, failure to achieve the optimum ratio of price to quality of infrastructure facilities;
- the growing concentration of the public sector, leading to the crowding out of private capital and the deterioration of the investment environment in the region.

Therefore, to achieve high results in the application of these forms, regional authorities need to take appropriate measures aimed at minimizing or eliminating their weaknesses. We feel strongly that the significant measures are as follows:

- creation of a regulatory system for quasi-PPP projects aimed at comprehensive accounting and protection of the state, business and population interests;
- implementation of best practices of quasi-PPP projects and constant exchange of experience between regions;
- quality training and professional development of persons involved in the development and implementation of quasi-PPP projects.

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