Review for February 2013
OF PUBLIC-PRIVATE PARTNERSHIP PRACTICE

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One of the main events that happened in February was X Krasnoyarsk Economic Forum «Russia: Map of Change» at which strategic initiatives of the socioeconomic development of Russia for the period until 2018 were discussed. During the forum possibilities of using PPP mechanisms in the field of infrastructure construction, obstacles arising during implementation of PPP projects as well as peculiarities of financing projects using budgetary funds were debated. A number of important agreements were concluded at the forum, e.g. agreement on implementation of a PPP project on the construction of Kyzyl-Kuragino Railway was signed.

Another important event was the elaboration at the initiative of the Chamber of Trade and Commerce of the Russian Federation of the investment appeal rating on regions for PPP project implementation. The purpose of the rating was comprehensive assessment of the readiness and ability of a constituent entity of the Russian Federation to participate in PPP Projects. Top 3 in the rating were Saint Petersburg, Republic of Tatarstan and Voronezh Region.

In the absence of a federal law on PPPs, PPP laws in regions are constantly improved – in February laws on participation in public-private partnerships of the Sakha (Yakutia) Republic and Perm Krai were adopted.

Fields of public-private partnerships that are new for Russia continue to be developed – in Saint Petersburg it is planned to render medical services in private general practice centers under obligatory medical insurance policies and the Federal Penitentiary Service suggested that private investors construct pretrial detention centers.

There is also information on large investment projects planned to be implemented using PPP mechanisms. For example, in Domodedovo (Moscow Region) it is planned to create educational and sports clusters for RUB 100 billion that will be similar to Cambridge University in the UK. In Moscow Region it is also planned to construct a new transit airport that will take upon itself almost a half of the passenger traffic passing through Moscow area. In Krasnoyarsk Krai implementation of a comprehensive investment project «Angarsk-Eniseysk Cluster» is being discussed. The purpose of the project is to create mining and wood processing production facilities.

This review of the news in the field of public-private partnerships for February 2013 will provide you with the information on the main vectors of development of PPPs in Russia and other important news in the field of public-private partnerships.

**FEDERAL LEGISLATION**

According to Vedomosti newspaper¹, in March this year it is planned to consider a draft law «On the Fundamentals of Public-Private Partnerships in Constituent Entities of the Russian Federation and Municipal Formations and on Amendment of Certain Legislative Acts of the Russian Federation» prepared by the Ministry of Economic Development of the Russian Federation. It should be noted that the first version of the draft law «On Public-Private Partnerships» was published on the website of the Ministry of Economic Development of the Russian Federation on June 22, 2012. On August 16, 2012 the draft law «On Measures for Development of Public-Private Partnerships in Constituent Entities of the Russian Federation and on Amendment of Certain Legislative Acts of the Russian Federation» was published. The framework draft law was aimed first of all at development of regional laws on PPPs.

The latest version of the draft law «On the Fundamentals of Public-Private Partnerships in Constituent Entities of the Russian Federation and Municipal Formations and on Amendment of Certain Legislative Acts of the Russian Federation» was published on the website of the Ministry of Economic Development of the Russian Federation on November 8, 2012. This draft law establishes the conceptual framework of PPPs, expands the list of models for joint participation of a private and public partner in PPP projects, establishes guarantees for rights and lawful interests of private partners and creditors, procedure for holding a tender for conclusion of agreements and other aspects of PPP project implementation.

**REGIONAL LEGISLATION**

**Law on the participation of the Perm Krai in PPPs was adopted**

On February 21, 2013 members of the Legislative Assembly of Perm Krai passed in a first reading the law «On the Fundamentals of Public-Private Partnerships in Perm Krai».

It should be noted that two draft laws on the par-

¹ http://www.vedomosti.ru/newspaper/article/403391/chastnikam_dostanetsya_sobstvennost
ticipation of the region in public-private partnerships were prepared in Perm Krai. Following the results of discussion the draft law that establishes framework regulation of PPP project implementation in the region was adopted.

**Law on participation of the Sakha (Yakutia) Republic in PPPs was adopted**

On February 21, 2013 the State Assembly (Il Tumen) of the Sakha (Yakutia) Republic passed the first reading of the law «On the Participation of the Sakha (Yakutia) Republic in Public-Private Partnership Infrastructure Projects». The law establishes the foundations of legal regulation, procedure, terms and forms of participation of the Sakha (Yakutia) Republic in PPP projects, powers of state authorities in the field of PPP, guarantees for rights and lawful interests of private investors as well as main provisions on PPP projects organization.

**Amendments to PPP legislation in Kirov Region**

In February, 2013 the amendments to the regional law on the participation of Kirov Region in public-private partnerships were planned to be made. However, during a plenary session the Legislative Assembly of Kirov Region dismissed in a second reading the amendments to be made. In particular, the legislators refused to set limits on combining several lots into a single lot put out to tender on maintenance, repair, operation, reconstruction, modernization or new construction of facilities the cost of which is less than RUB 50 million. Amending draft law was sent for revision.

**Draft law on the Investment Fund of Irkutsk Region was passed first reading**

On February 20, 2013 Legislative Assembly of Irkutsk Region passed with its first reading the law «On the Investment Fund in Irkutsk Region» that was elaborated to combine federal and regional funds for financing PPP projects. The document stipulates that investment projects shall be supported in the form of financing the expenses for creation of transport or energy infrastructure. Qualified projects should be financed by private funds at least by 50%. It is planned that at the first stage the projects with the term of implementation of not more than five years will be supported. It should be noted that pursuant to amendments to the laws of the Russian Federation that came into effect on January 1, 2013 funds of the Investment Fund of the Russian Federation will be provided only to those constituent entities of the Russian Federation that have regional Investment Funds.

**Moscow City Government will compensate expenses of investors working in the field of preschool education**

On February 14, 2013 Moscow City Government adopted the decree providing private investors that offer preschool education services under concession agreements with the right for compensation of their expenses on education and upbringing of children that are on the waiting list. Pursuant to Decree No. 74-PP subsidies will be provided from the Moscow budget to legal entities that conclude concession agreements under which the concessionaire shall not only undertake to construct preschool institutions buildings, but also ensure a full range of preschool education and upbringing services.

At the moment four open tenders have been announced in Moscow for the right to conclude concession agreements for the purpose of creation and operation of preschool education institutions buildings. According to requirements of the tender documents the winner of the tender shall ensure at least 25% of places to children from the district that are on the waiting list. Payment for such children will be made through the city budget.

**Procedure for obtaining subsidies for implementation of PPP projects simplified in Rostov Region**

At the end of January, 2013 Vasily Golubev, Governor, signed a decree under which the procedure of receiving subsidies for implementation of public-private partnership projects was simplified. The statutory instrument regulates the procedure for obtaining by entrepreneurs implementing investment projects using PPP mechanisms in region of the compensation for reimbursement of a part of the expenses for connection of capital construction facilities to power and gas supply networks. The volume of subsidies will be determined depending on the amount of investments.

**Note of opposition submitted in Kirov Region against a decree of the Government of the region on conclusion of PPP agreements in the road industry**

In Kirov Region S. Berizhitskiy, Public Prosecutor, submitted a notice of opposition to the Governor of Kirov Region against the Decree of the Government of the region dated July, 20, 2010 establishing the Procedure for Conclusion of Agreements on Public-Private Partnerships in Road Industry. The decree established the procedure for publishing announcements on holding a tender on the website of the Government of Kirov Region instead of the official website for procurement of the Russian Federation. It should be noted that under the Procedure for Conclusion of Agreements on Public-Private Partnerships in Road Industry on July 10, 2012 the Public Road and Transport Department of Kirov Region concluded a PPP agreement with Kirov Region State Enterprise Vyatka Roads for road repairs in the region for the total amount of over RUB 570 million. Due to this, the Public Prosecutor's Office of Kirov Region submitted a statement of claim to the Arbitration Court to invalidate this agreement.
PPP PROJECTS BEING IMPLEMENTED

Agreement on construction of Kyzyl-Kuragino Railway signed in Krasnoyarsk

On February 15, 2013 during X Krasnoyarsk Economic Forum representatives of the Ministry of Transport of the Russian Federation, Government of Krasnoyarsk Territory, Government of the Tuva Republic and OOO Tuva Energy and Industrial Corporation signed an agreement on implementation of the project on the construction of Kyzyl-Kuragino Railway and development of the coal mining sector in the territory of Krasnoyarsk Krai and the Tuva Republic. Kyzyl-Kuragino railway section will be 410 kilometers long. During the construction it is planned to dig about 8 tunnels and build 127 bridges with the height of abutments reaching 90 meters at certain sections. The contractor is Research and Production Association Mostovik.

It should be noted that in December, 2012 the project of construction of Kyzyl-Kuragino Railway was excluded from the list of top-priority investment projects implemented using the funds provided by the Investment Fund of the Russian Federation. Under the new agreement state guarantees are to be provided instead of the funds of the Investment Fund.

Infrastructure continues to be constructed in «Ust-Luga» port

As part of integrated development of the port territory in «Ust-Luga» port OJSC «Ust-Luga Company» defined a list of the measures ensuring the functioning of the port terminals. In the Northern part of the port «Luzhskaya-General» station is being designed. This station will be financed under the investment program of OJSC «RZD». In this part of the port it is also planned to design and construct the second stage of intra-port electrical networks and a unified domestic water supply system. In the Southern part of the port it is planned to arrange tracks of the railway station «Luzhskaya-South», which by 2015 shall additionally have four railway tracks specializing in the acceptance and departures of liner trains and transfer trains. OJSC «Ust-Luga Company» is also in negotiations with potential investors on the creation of new terminals in the Northern part of the port.

It should be noted that the project on integrated development of «Ust-Luga» commercial seaport and the adjacent territory stipulates creation in the territory of Kingsessp Area of Leningrad Region of interrelated clusters – transport and logistics, industrial, city clusters, tourism and recreation and agro-industrial clusters.

First general practice centers opened in Saint Petersburg using PPP mechanisms

In February implementation of the pilot project in medical aid started. The project is the result of cooperation of Primorsky District Administration, Healthcare Committee, Territorial Obligatory Medical Insurance Fund and private medical company Euromed Group. 5 general practice centers were opened in Primorsky District. The new centers united in the network «Policy. Assigned General Practitioners» enables residents of Primorsky District to obtain free primary care in comfortable conditions and within walking distance of their homes. Expenses on the creation, equipment and opening of the centers will be paid by the private company and the work of the company in its turn will be paid for at the effective tariffs through obligatory medical insurance policies. Such centers are also planned to be opened in other districts of the city.

Construction of a new industrial park started in «Alabuga» SEZ

On February 14, 2013 a foundation stone laying ceremony was held for «Synergy» Industrial Park in the «Alabuga» Special Economic Zone. Synergy Industrial Park will represent a set of ready premises of a modular type ideal for processing, manufacturing polymeric materials, computer chip assembly and pharmaceutical lines. The volume of state investments into the project will be approximately RUB 960 million. At the same time another industrial park – «Eurasia-Alabuga» – is being constructed in the special economic zone on the basis of public-private partnerships. The project is at the construction stage. It is planned to be launched in the 4th quarter 2013.

Construction of «Belkomur» railway to be financed by a Chinese corporation

Following the results of negotiations between the Russian and Chinese parties on the project of construction of «Belkomur» railway that took place in February, the management of China Civil Engineering Construction Corporation announced that it was willing to invest in shares of JSC «Interregional Company «Belkomur». The company is also willing to aid in attraction of long-term financial resources of China Development Bank at a low interest rate. For the purpose of cooperation on the implementation of the project for construction of «Belkomur» railway, it is planned to conclude an agreement in March 2013 during the visit of the President of the People’s Republic of China to Russia.

It should be noted that under «Belkomur» Project it is planned to construct a meridional-type rectifying railway Arkhangelsk-Syktyvkar-Gainy-Solikamsk with the total length of 1,155 km, of which 715 km will be constructed anew and the remaining parts will be reconstructed. In January, 2013 Dmitry Medvedev, Prime Minister of the Russian Federation, stated the need of implementation of «Belkomur» Project under a concession agreement.
Criminal case initiated on misappropriation of funds provided for development of Skolkovo

In February, 2013 the Investigative Committee of the Russian Federation initiated proceedings against the former Director of the Finance Department of «Skolkovo» Foundation and General Director of «Skolkovo» Customs Finance Company on misappropriation of almost RUB 24 million allocated from the budget for development of «Skolkovo» science city. The case was initiated under Article 160 of the Criminal Code of the Russian Federation (misappropriation of entrusted property of others by misuse of funds) on the grounds of materials provided by the Accounts Chamber of the Russian Federation and the Federal Security Service of the Russian Federation. As part of the criminal case it is planned to check the activities of «Skolkovo» Foundation and officers of the Ministry of Finance of the Russian Federation that supervised the spending of budgetary funds allocated to the foundation for implementation of Skolkovo Innovation Project.

PLANNED PPP PROJECTS

OJSC «RZD» to submit to Vnesheconombank projects that may be financed in 2013 through pension savings

OJSC «RZD» is preparing a list of the projects that may be financed through pension savings. The projects include the development of Moscow transport hub, high-speed roads and modernization of freight traffic in the Far East. The projects suggested to be funded through pension savings will be submitted to VEB’s Supervisory Board by end of March. It should be noted that the list of the projects will not include the development of the Eastern part of the Baikal-Amur Mainline as the project will not pay back. It should be noted that in February, 2012 OJSC «RZD» stated the need to expand the Baikal-Amur Mainline as the project will not pay back. In the absence of budgetary funds OJSC «RZD» is seeking means of project implementation, including the means of project financing.

Analogue of Cambridge will be created in Domodedovo

On January 29, 2013 at the meeting of the interagency working group on the development of Domodedovo urban district supervised by Arkady Dvorkovich, Deputy Prime Minister, creation of two clusters – educational and sports clusters – was discussed. Following the results of the meeting the Deputy Prime Minister instructed the Ministry of Education and Science together with the Federal Agency for State Property Management to prepare by the middle of March proposals on construction of campuses and academic buildings for five technical institutes of higher education (National University of Science and Technology «MISIS», Plekhanov Russian University of Economics, Moscow State Institute of Radio-engineering, Electronics and Automation, Moscow State Industrial University, National Research Nuclear University MEPhI). An area of at least 40 hectares will be required for the institutes. The cost of the relocation is estimated at RUB 45-60 billion. It is also planned to construct in Domodedovo a Federal Sports Medicine Center and training grounds for the 2018 FIFA World Cup. The total cost of the sports cluster is estimated at RUB 30-40 billion.

Federal Penitentiary Service proposed that private business build pretrial detention centers

On February 28, 2013 at a meeting of grand members of the Federal Penitentiary Service of the Russian Federation Georgy Kornienko, Director of the Federal Penitentiary Service, proposed to construct a pretrial detention center using PPP mechanisms. This year it is planned to start relocating detention centers beyond city boundaries. In the absence of budgetary funds Georgy Kornienko suggests that private business should be engaged in the relocation of pretrial detention centers and the vacant buildings of prison institutions should be occupied by commercial real estate facilities. It should be noted that private prisons operate in England, USA, Australia, Canada, Sweden and other countries.

Development of the territory of Tushino airfield will be started in 2013

In 2012 Moscow Government provided the territory of Tushino airfield to OOO «Spartak Stadium» (LLC) and OOO «Vi Holding» (LLC). Residential buildings are planned to be constructed on the lands near «Spartak stadium». Residential buildings are planned to be constructed on the lands near «Spartak stadium». OOO Spartak Stadium and OOO «Vi Holding» (LLC) shall also build transport infrastructure, in particular roads around the stadium, exits from the stadium, street and road network in residential microdistricts, a bridge over the Moscow River with the exit at Strogino. The volume of private investments will be approximately RUB 10-12 billion.

Transit airport to be built in Moscow Region using PPP mechanisms

In February at the meeting of the working group on development of Moscow air hub it was suggested to create a large international airport at Moscow-Saint Petersburg highway. Sergey Pyatko, Director of Federal State Unitary Enterprise State Research and
Development Institution for Air Navigation, stated that the new airport will take upon itself almost a half of passenger traffic passing through Moscow area. It is planned to construct the airport using public-private partnership mechanisms: private investors will construct terminals, hangars, terminal building infrastructure, and the public partner will construct the runways and taxiways. The procedure for choosing the location of the airport will be held on July 1, 2013 when the consortium of companies creating the model for development of Moscow air hub will present the final results of the work.

**Apart-hotels to be built in Moscow**

Economy-class hotels and commercial apartment buildings for expats are planned to be created in the historical center of Moscow and Skolkovo Innovation Center. The decision was adopted in 2012 to eliminate the deficiency in medium price hotels and form a legal rental housing market. By July 1, 2013 Moscow Department for Economic Policy and Development is to develop a plan for organizational and financial management of the project by choosing either the budgetary funding of the project or private investments. It is also planned that a single operator – state or private – will be chosen to manage the project.

**Multilevel parkings to be built in Izhevsk under a concession agreement**

In February, 2013 tender documents were prepared for the right to conclude a concession agreement on the construction of above-ground parkings in Izhevsk. The tender for the right to conclude a concession agreement is planned to be held in March-April, 2013. According to the terms of tender documents the city will lease to the winner of the tender 8 land plots on which 2/3-level parkings should be built for at least 4 thousand parking spaces in total. In its turn, the winner of the tender shall develop design documents and construct the parkings using its own funds. It is planned that the private company will own the parkings for 49 years under long-term lease and pay necessary taxes and upon the expiration of the lease term the parking will be transferred into municipal ownership.

Denis Agashin, Head of Izhevsk Administration, said that the construction of multilevel parkings will be the first project on public-private partnership in the city.

**Construction of the largest tourism complex «Bai-Bulak» planned in the Tuva Republic**

In February, 2013 a presentation of the project on creation of Bai-Bulak tourism complex planned to be implemented using PPP mechanisms was held in Kyzyl. The project is planned to be implemented in 2 stages: during the first stage it is planned to perform design works and start construction of infrastructure facilities – roads, water, power supply and sewage systems using the funds provided from the budget of the Tuva Republic. During the second stage as and when investors are attracted to the project, commercial entertainment infrastructure facilities will be constructed. The first stage is planned to be completed by 2014 and the second – by 2018. It is planned that the complex will contain a museum of Tuvan costume, tourism information center, concert and exhibition hall, souvenir stalls, residence of the Chairman of the Government, hotel for 60 guests, national cuisine restaurant. A stadium for 10 thousand seats, parking lot and helicopter pad as well as other facilities are also planned to be constructed.

**Astrakhan Region Administration started to receive bids for a tender on construction of kindergartens**

In February, 2013 Astrakhan Region Administration started to receive bids for a tender on the right to conclude agreements on construction and operation of buildings designed for preschool educational institutions in 11 municipal formations using public-private partnerships. The term of agreements on PPP will be 16 years.

**PPP model to be developed for reconstruction of Biysk airport**

During the conference «Public-Private Partnership in the Road Industry» in Belokurikha city Maxim Sokolov, Minister of Transport of the Russian Federation, and representatives of Altai Krai Administration reached an agreement on the need to form a model of regional air carriage that will help to reconstruct the airport of Biysk science city. The project will consist in the reconstruction of the terminal building with the capacity of 100 passengers per hour. The facility will be provided with engineering and transport infrastructure using funds from the regional budget. The project of the airport reconstruction will be implemented using PPP mechanisms. According to Maxim Sokolov, Minister of Transport, development of regional air carriage will strengthen the ties of Altai Krai with other Siberian regions and promote the growth of investment appeal of the region.

**Project of creation of Angarsk-Eniseysk Cluster discussed during Krasnoyarsk Economic Forum**

During X Krasnoyarsk Economic Forum a discussion was held on the creation of Angarsk-Eniseysk Cluster. Multiplier effect of the cluster creation, plans for construction of the cluster facilities and required infrastructure as well as other details of the project were discussed. According to preliminary estimates the total cost of comprehensive development of the investment project designed for 2012-2021 and implemented using PPP principles is RUB 272.1 billion, of which RUB 216.4 billion will be own and borrowed funds of private investors, RUB 45.7 billion will be provided by the Investment Fund of the Russian Federation and RUB 10 billion will be provided by the regional budget.
Concession agreement on creation of a system for household waste treatment and disposal concluded in Saratov Region

In February at the Government of Saratov Region, Dmitry Sokolov, Chairman of the Committee for Environmental Protection and Natural Resources Management of the region, and Pavel Besshapov, representative of the Moscow company CJSC «Waste Management», signed a concession agreement on creation of a system for household waste treatment and disposal. The agreement stipulates the construction within two years of 2 landfills, 18 waste transfer stations and 2 shops for biocomposting of waste in left-bank districts of Saratov Region. The concession agreement has been concluded for 25 years.

5 tourism clusters to be created in Tatarstan

On 5 February the Cabinet of Ministers of the Republic of Tatarstan approved the long-term special-purpose program «Development of the Tourism Field in the Republic of Tatarstan for 2013–2016». Under the program it is planned to form tourism-recreation and car tourism clusters «Kazan», «Bolgar ancient city», «Sviyazhsk island city», «Sviyaga-land», «Yelabuga river banks», tourism and health-improvement park «Kama forest meadows», «New Tura» as well as create new routes and tourism programs in municipal districts. The volume of paid tourism services is planned to be increased from RUB 6.9 billion to RUB 11.7 billion. The volume of financing the project activities within three years will be approximately RUB 22.9 billion. The main part of the funds (RUB 15.9 billion) is planned to be obtained from extrabudgetary sources.

Railway will be constructed for Inaglinsky Coal Mining Complex

At X Krasnoyarsk Economic Forum a Memorandum of Intent was signed between the Ministry of Transport of the Russian Federation and the Government of the Sakha (Yakutia) Republic on implementation of the project on development of railway infrastructure of Inaglinsky Coal Mining Complex. The memorandum signed will enable to ensure the synchronization of the periods of constructing industrial facilities and railway infrastructure facilities of Inaglinsky Coal Mining Complex, which is a very important condition for efficient operation of the new enterprise.

It should be noted that the development of Inaglinsky coal mining complex is performed as part of the investment project «Comprehensive Development of South Yakutia» implemented on the basis of public-private partnership.

Vhesheconombank prepared a project for construction of a bridge crossing in Nizhny Novgorod

As part of cooperation with the Government of Nizhny Novgorod Region, Vhesheconombank, using public-private partnership mechanisms is developing a concept for implementation of a project for construction of a bridge crossing over the Volga River that will consist of two lanes and a number of access ways. In February 2013 VEB prepared contractual and tender documents, investment memorandum of the project, financial model, analyzed the market and formed a pool of potential investors willing to participate in implementation of the projects. The next stage will consist in the creation by Vhesheconombank of a transport hub model, after which a tender will be announced for the right to conclude the agreement.

According to Valery Shantsev, Governor of Nizhny Novgorod Region, the charge for passing over the bridge in Podnovie will be RUB 100 for passenger vehicles and RUB 300 for trucks.

Private investors to be attracted to infrastructure projects in Bryansk Region

On February 5, 2013 at the meeting of Bryansk City Administration issues related to implementation of large infrastructure projects and attraction of private investments using PPP mechanisms were discussed. During the meeting planned directions of PPP project implementation, in particular transport infrastructure and healthcare were chosen. Following the results of the meeting it was resolved to create a working group to determine a prospective city project that can be implemented using PPPs. One of the options is the construction of the second stage of Pervomaisky bridge and the whole junction at the entrance to Bezhitsa.

Design of an industrial park in Nikolsk, Penza Region, was started

In Penza Region designing of an industrial park in Nikolsk was started as part of the program for development of one-company towns. The project will be implemented on the basis of the former Krasny Gigant factory. Two land plots of 36 and 68 hectares have also been allocated for the park. The land plots have already been transferred from municipal ownership into the ownership of Penza Region. Under the project on the construction of an industrial park it is planned to construct a collector and sewage treatment plants.

Concept for development of small aircrafts approved in Rostov Region

Vasily Golubev, Governor of Rostov Region, signed a decree on approval of the concept of development of small aircrafts in Rostov Region until 2030. The program stipulates reconstruction of airports in the region, construction of a new airfield in Veshenskaya Cossack village. Development of ground infrastructure facilities in airports of Rostov Region is planned to be performed using public-private partnership mechanisms. Until 2030 under the strategy for development of transport in Rostov Region RUB 30.1 billion will be allocated for performance of this program.
Khanty–Mansi Autonomous Area is planning to commission 14 kindergartens for three thousand places in 2013

On 20 February 2013 at a meeting of the budget committee of the regional duma implementation of the special-purpose program «New School of Yugra» designed until 2015 was discussed. This year it is planned to construct 14 kindergartens in Khan-ty–Mansi Autonomous Area. Starting from 2010 construction of 172 educational facilities, 142 of which are kindergartens is planned. The said projects are planned to be implemented using PPP mechanisms.

Medical center planned to be created on the basis of concession in Smolensk Region

In Smolensk Region the Government of Smolensk Region in partnership with VAMED Engineering GmbH & CO KG is planning to construct a medical center under a concession agreement. A bilateral working group will be created for the project of construction of the medical center. The working group will prepare the concession agreement.

SPECIAL-PURPOSE AND INVESTMENT PROGRAMS

Business will be engaged in environmental damage elimination projects that will pay back

By March 15, 2013 the Ministry of Natural Resources and Environment of the Russian Federation will complete the preparation of the federal special-purpose program «Elimination of Cumulative Environmental Damage». It is planned that by 2016 the Ministry of Natural Resources and Environment will complete the inventory taking of the contaminated and polluted lands and proceed with implementation of projects on elimination of the contamination and pollution. The Ministry plans to engage business representatives in potential environmental damage elimination projects that will pay back, in particular in public-private partnership projects. Under such projects it is planned to finance credit interest rates, provide budgetary funds for scientific research or contributions to charter capital.

PPP mechanisms to be used for development of the industry sector

On January 30, 2013 the state program «Development of the Industry Sector and Increasing its Competitiveness for the Period Until 2020» was adopted. The program stipulates in particular the use of public-private partnership mechanisms. PPP mechanisms are planned to be used for example when creating territorial and innovation clusters when developing the agricultural engineering industry, food manufacturing and processing industry, when creating modern machinery and also when creating trade companies. It is also planned to use PPP mechanisms in defense industry, in particular when manufacturing ammunition.

Strategy for development of the Russian Arctic Zone approved until 2020

On February 20, 2013 Vladimir Putin, President of the Russian Federation, approved the strategy for development of the Russian Arctic Zone until 2020. The document stipulates the formation of a competitive scientific and technological sector, development of international cooperation and preservation of the Arctic Region as a zone of peace as well as development of a unified Arctic cooperation and preservation of the Arctic Region as a zone of peace as well as development of a unified Arctic cooperation and preservation of the Arctic Region as a zone of peace as well as development of a unified Arctic Transport System of Russia that includes the Northern Sea Route. The strategy stipulates the use of PPP mechanisms when implementing large infrastructure, investment, social projects as well as during the creation of the system for financing projects, including the ones in the field of development of Arctic tourism.

PAST EVENTS

Investment appeal rating on regions elaborated in the part of PPP project implementation

In February, 2013 at the initiative of the Chamber of Commerce and Industry of the Russian Federation an investment appeal rating on for PPP project implementation was elaborated. Key factors taken into account during the compilation of the rating included the availability of a well-tuned system for public-private project management on the level of regional authorities, experience in implementing such projects as well as sufficient creditworthiness and transparency of the market. Top 3 in the rating were Saint Petersburg, Republic of Tatarstan and Voronezh Region. Indicators in three groups – experience, institutional basis and investment appeal of the region - were used as evaluation criteria.

Discussion of PPPs at X Krasnoyarsk Economic Forum

On 14 and 15 February, 2013 at X Krasnoyarsk Economic Forum during the round table organized by Vnesheconombank and panel discussion held by
the Managing Partner of McKinsey Moscow Office problems related to PPP project implementation were discussed. Following the results of the event the participants came to a conclusion on the lack of prospects for budgetary financing of projects on infrastructure modernization which should be replaced by private investments with state support.

Conference «Public-Private Partnership in the Road Industry» held in Altai Krai

From 13 to 16 February in Belokurikha resort town of Altai Krai the conference «Public-Private Partnership in the Road Industry» organized by State Company Russian Highways (Avtodor) was held. Maxim Sokolov, Minister of Transport of the Russian Federation, outlined topical issues of the road industry. One of them consists in the increasing disbalance between steep increase in the number of cars in the country and the development of the transport network that lags behind and is overloaded. During the conference issues of extension of federal highway M-52 «Chuyisky Trakt» and implementation of large investment projects in the road industry of the region were discussed.

**COOPERATION**

**Ufa Administration and OAO Gazprombank signed a cooperation agreement**

On 20 February Alexander Kaznacheev, First Vice President of OJSC «Gazprombank», and Irek Yalalov, Head of Ufa Administration, signed a cooperation agreement. The agreement stipulates finance and credit obligations of the parties in all main spheres of socioeconomic development of the urban district, including the ones regarding the construction of socially affordable housing, development of public transport, road network and engineering infrastructure, construction of hotels and sports facilities.

**SC «Avtodor» and the Government of Moscow Region concluded a cooperation agreement in the field of road construction**

On February 7, 2013 Government of Moscow Region and State Company «Avtodor» concluded a cooperation agreement in the field of construction of public roads situated in Moscow Region. Under the agreement «Avtodor» and Moscow Region will cooperate on solving the issues on elimination of road congestion, preparation of territories for construction of roads, work with civil society organizations as well as environmental organizations during designing of road facilities. Joint work will be performed in particular on the elaboration of the program for implementation of innovation technologies, solution of issues related to transfer of lands, establishment of road shoulders and right of way, placement of roadside service facilities and advertising structures in the right of way.

**Government of Rostov Region and Vnesheconombank will prepare an action plan on integrated development of the region territories**

On February 21, 2013 during a meeting in Moscow Vasily Golubev, Governor of Rostov Region, and Vladimir Dmitriev, Chairman of Vnesheconombank, resolved to elaborate a plan of joint actions during creation and reconstruction of engineering and transport infrastructure of the region, support of the agro-industrial complex of Don, microfinancing of small and medium business companies, performance of projects using public-private partnership principles as well as implementation of a number of federal programs in the region. The relevant document will be prepared by a joint working group.

**AUTHORIZED BODIES**

**Nizhny Tagil development would be provided by a new agency**

In Nizhny Tagil an Agency for Development of Nizhny Tagil is planned to be established. The Agency will be aimed at implementation of promising investment projects in the city. Top-priority directions of activities of the planned agency include implementation of social projects, modernization of electric transport and housing and utilities infrastructure, demolition and subsequent construction of failing buildings. It is planned that implementation and financing of the projects will be performed using public-private partnerships.

OJSC «Agency for Development of Nizhny Tagil» is planned to be founded by Middle Ural Development Corporation together with the City Administration.

**Professional association of concessionaires and road operators will be established in Russia**

During the conference «Public-Private Partnership in the Road Industry» in Belokurikha city, Sergey
Kelbach, Chairman of the Management Board of State Company Russian Highways (Avtodor), announced the establishment of an association for concessionaires and road operators in Russia. Sergey Kelbach also noted that the process of formation of the new civil society organization will continue as Russian market of concessionaires and toll road operators develops. It should be noted that at present three highways are under trust of Avtodor: M-1 «Belarus», M-3 «Ukraine» and M-4 «Don». SC «Avtodor» is also responsible for construction of the highway Moscow-Saint-Petersburg, construction of the Central Ring Road and Odintsovo roundabout route on M-1 «Belarus» highway.

OTHER NEWS

Vnesheconombank preparing a new model for financing infrastructure projects

During X Krasnoyarsk Economic Forum Dmitry Medvedev announced that the preparation of amendments to the regulatory framework related to the formation of the new model for financing infrastructure projects - TIF (Tax Increment Financing) – is almost completed. Under TIF model private investor implements a project using Vnesheconombank funds that will subsequently be serviced and repaid through the Investment Fund using additional tax revenues from the project. It should be noted that at the end of December, 2012 Dmitry Medvedev instructed the Ministry of Economic Development of the Russian Federation, Ministry of Regional Development of the Russian Federation and Ministry of Finance of the Russian Federation to prepare proposals on reorganization of the Investment Fund. At the moment creation of a Development Fund on the basis of the Investment Fund is also considered.

Dmitry Medvedev suggested establishing a tax relief system for power projects in Siberia

During a plenary session of X Krasnoyarsk Economic Forum «Russia: Map of Change» Dmitry Medvedev, Prime Minister of the Russian Federation, stated high potential of power projects in Siberia and substantial resource for further development of Siberian hydraulic power industry. According to the Prime Minister of the Russian Federation as such projects require substantial investments, public-private partnership mechanisms should be used in them. Dmitry Medvedev suggested establishing a tax relief system for such projects.

Accounts Chamber of the Russian Federation suggested that developers in Sochi sell apartments before the Olympic Games

A number of investors participating in the construction of Olympic venues requested the Government of the Russian Federation to change the existing financing structure of the PPP projects implemented by them in Sochi, in particular to change the project financing rate by Vnesheconombank from 70 to 90 percent. The investors said that they were ready to participate in co-financing of projects in the amount of 10%. Auditors of the Accounts Chamber of the Russian Federation having refused to change the financing rate suggested that the developers should sell apartments before the beginning of the Olympic Games and that regional authorities should consider exempting developers from property taxes regarding all sports facilities being constructed in Sochi.

There should not be many toll roads in Russia

At the conference «Public-Private Partnership in the Road Industry» in Belokurikha city Maxim Sokolov, Minister of Transport of the Russian Federation, said that the share of toll roads in Russia can not and should not be large. Maxim Sokolov said that the share of toll roads does not exceed 5% even in the most developed countries of the world. Therefore, at the current length of roads of 1,100,000 kilometers the maximum length of toll roads is estimated at 55,000 kilometers.

Canadian company SNC Lavalin is willing to participate in PPP projects in Leningrad Region

In February a meeting was held in Quebec between representatives of Leningrad Region and members of the Canadian Business Association. During the meeting Dmitry Yalov, Vice Governor, talked of the implementation of large projects in Leningrad Region – industrial area of Ust-Luga seaport, industrial park in Tosno Area and center for nanotechnology in Gatchino. SNC Lavalin engineering and construction group expressed its interest in participation in large projects on construction of transport, road and engineering infrastructure in Leningrad Region on the basis of public-private partnerships. SNC Lavalin Group Inc. has offices in 35 countries and implements projects in 100 countries, including Russia.

OJSC «Mostotrest» is planning to purchase a share of the company being the contractor of the highway Moscow-Saint Petersburg construction project

On January 31, 2013 the Board of Directors of OJSC «Mostotrest» adopted a number of important decisions. First of all, OJSC «Mostotrest» decided to withdraw from the capital of ООО «Inzhtransstroy Corporation» (LLC) that was engaged in particular in the reconstruction of Sochi airport. Second, the Board of Directors of OJSC «Mostotrest» approved the
This review was prepared by lawyers of the public-private partnership practice of the ART DE LEX law firm. Please, do not hesitate to contact us in case of any enquiries, including any questions not related to the contents of the present review.