

# The Next Frontier

Vnesheconombank is playing a key role in introducing public-private partnerships (PPPs) to Russia. Vladimir A. Dmitriev, the bank's chairman, discusses the challenges ahead.

Vladimir A. Dmitriev



Chairman, Vnesheconombank

## What areas of the Russian economy can benefit most from PPPs?

The opportunities are quite far-reaching, but we are concentrating on three main areas.

First, in transport, in the construction of new highways, freeways, railways, trains and developments within the aviation sector, VEB and the Ministry of Transport jointly set up a working group to deal with the PPP-concept in Russia.

The next, rather unusual area, is science, culture and social infrastructure, including health care and utilities projects. The Ministry of Culture recently discussed how PPP could be used in managing our historical heritage.

Another important area is within the special economic zones, which offer special incentives to investors. In this way, the state can offer special terms to private investors and divide management responsibilities with them.

## Is Russia ready to implement the idea of PPP from a legislative perspective?

The infrastructure is being put in place for PPP to succeed in a range of forms, from state contracts to concessions, and the law on concessions is already in force. Of course, we still need to develop the legislation further and define the rights and responsibilities of both the private sector and the state in additional statutes, but the foundation is there. Vnesheconombank is arranging a seminar entitled: "PPP Finance in Russia: The Next Frontier" to discuss in detail the above-mentioned issues.

Concessions offer a wide range of opportunities for private investors in infrastructure, the extractive sectors, industry, innovative technologies and so on.

## Can PPP help Russia's industrial sector obtain the investment needed to achieve the desired levels of development, outside of the oil and gas sectors?

PPP is an essential element for attracting private investments into the industry. The special economic zones mentioned earlier form a good base for implementing this idea and attracting investments by providing government support and favorable conditions.

It is also important to note that in February, President V. Putin announced a plan to create a major development bank in Russia. The new financial institute will be formed with VEB, the Russian Development Bank and Roseximbank. This new institution will assist PPP development in Russia, carrying out an evaluating,

monitoring and executing role. It will also handle the investment fund, which will be used to finance investment projects in special economic zones, real sectors of the economy, innovative technologies—areas where the interests of the state and private sector are closely connected.

## As a major provider of this new principle, how can VEB ensure the process is transparent?

We believe it is essential to have a highly qualified staff responsible for its actions. I am certain that VEB and its professionals match the required criteria. We have many decades' experience working within local and international markets, good relationships with large corporate clients, close business ties with governmental structures, and, until recently, were the only bank evaluating projects financed by foreign investments. The potential of our bank, with added value from the other two organizations, will allow competent evaluations and eliminate corruption from the process.

## Based on the factors you mention, do you believe that the risks associated with PPP can be minimized?

The success of PPP relies not only on the professionalism of the bank but also on relevant legislation. One can evaluate projects, calculate ROI and so on, but if, during the execution period, legislation changes or general rules of the game become unfavorable to the project, you cannot predict the results. We are planning to approach the government with suggestions on how to sustain maximum comfort for both the state and the private investor. This is as important as the evaluation of the projects themselves.

## How can VEB maintain its role as a PPP international provider?

In regards to debts, we can use PPP to offer private investors use of the liabilities of third countries to support Russian investments. We also support Russian companies working on industry and infrastructure projects in the third countries. In India, China and Syria, for example, Atomstroyexport, Technopromexport and others are using the PPP principle in many cases.

### Vnesheconombank

Akademika Sakharova Prospekt, 9  
Moscow B-78, GSP-6, 107996  
Russian Federation  
Telephone: +7 (095) 207-10-37  
Fax: +7 (095) 975-21-43 [www.veb.ru](http://www.veb.ru)

