

PPPs in BRICS: Opportunities and Risks

Alexandra Morozkina, PhD
Economic Expert Group

Natalie Krasnopeevea
*Analytical center for the Government of
the Russian Federation*



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Recovery after Covid crisis: infrastructure?



Significant and positive association with economic growth showed in many empirical studies



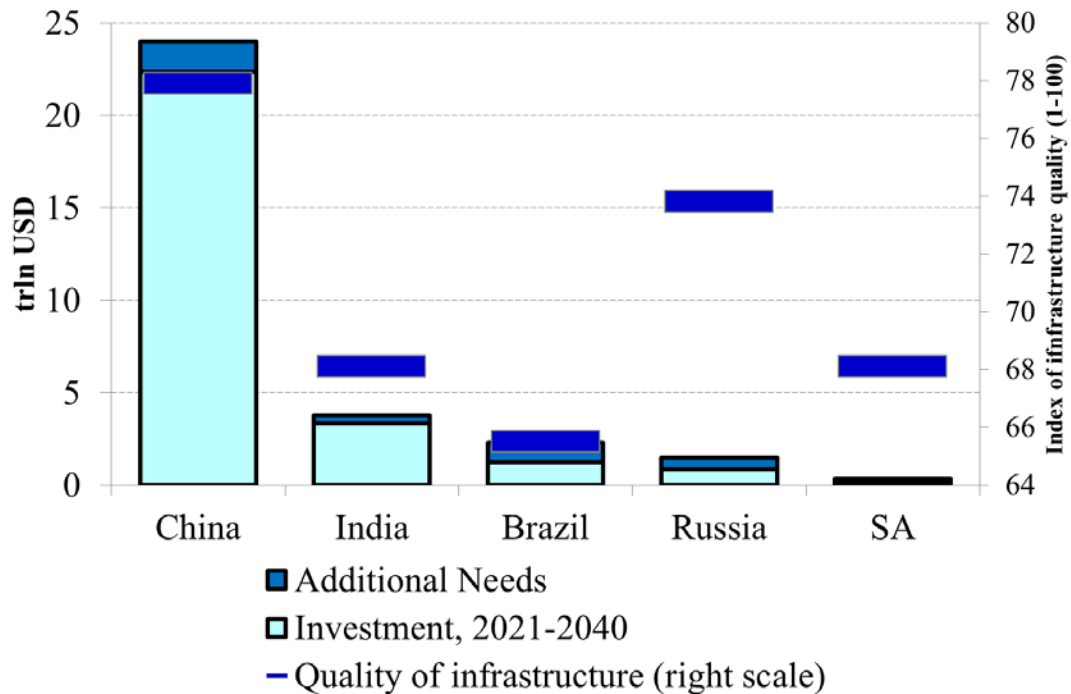
Large infrastructure needs

28 trln USD is expected to be invested, 32 trln USD – infrastructure investment needs



High on cooperation agenda for BRICS

in BRICS Economic Partnership 2025, New Development Bank



GIH, WEF

Infrastructure agenda in BRICS

BRAZIL

Investments Partnership Program: 26 bln USD of investment in 2021 (24 airports, 5 ports terminals, 2 new railways, 13 slots of federal highways)

RUSSIA

Comprehensive Plan for Modernization and Expansion of Trunk Infrastructure (until 2024): 83 bln USD of investment, 43 bln USD – from private entities in 2019-2024

BRICS

- ✓ **Strategy for BRICS Economic Partnership 2025** (investment cooperation, including promotion of PPPs; Cooperation in infrastructural development)
- ✓ **NDB** (mobilization of resources for infrastructure and sustainable development projects)

INDIA

- ✓ **National Infrastructure Pipeline:** 1.5 trln USD until 2025
- ✓ **2021/2022 budget:** 16 bln USD for roads and highways, 15 bln USD for railways

CHINA

- ✓ **14th 5-Year Plan:** highlighting digital infrastructure (1.4 bln USD)
- ✓ **National Transport Planning Outline 2021-2035** (focus on railways)

SOUTH AFRICA

2021 Budget Review: 54 bln USD in 2021-2024, state-owned companies – the largest contributor (37%), largest target sector – transport and logistics

Budgets are strained after stimulus packages

-13%

of public infrastructure expenditures in 2021 in **Brazil**

+7%

of budget expenditures on transport in 2021 in **India**

3.2%

target budget deficit in **China** in 2021 after **3.6%** in 2020

-8%

reduction of financing for implementation of national project on infrastructure in 2021 in **Russia** (compared to plan)

-12%

of "economic regulation and infrastructure" budget expenditures in 2021 in **South Africa**

PPPs to the rescue?



Large PPP markets

Investment in PPPs amount to than 2% GDP in all five countries



Opportunity to save public budgets

through attraction of private sector investment



Potential for cooperation

and exchange of best practices

Brazil India China Russia SA

Number of projects	2 240	1 824	9 440	3 601	121
PPPs total value (bln USD)	32	344	2 229	53	28
% GDP	2.5	12.3	14.5	3.5	8.3



Direct liabilities

Capital grants, concessional grantor payments, other agreed liabilities (development of related infrastructure)



Explicit contingent liabilities

Guarantees and warranties, minimum revenue guarantees



Implicit contingent liabilities

default of a private partner on non-guaranteed loans, environmental damage and other force majeure not specified in the contract



**Public
liabilities
associated
with PPPs**

Each of BRICS has a field of excellence in reduction of PPP-related risks

	Brazil	India	China	Russia	SA
Approval of a project by fiscal authority		+	+	+	+
Evaluation of fiscal effects of a project	+		+	+	+
Methodical recommendations on PPP risk management			+	+	+
Disclosure of contingent liabilities in fiscal reports and analytical publications	+			+	+
Monitoring of contingent liabilities	+	+	+	+	+
Guarantee and quasi-budget funds	+		+		
Setting the limits for contingent liabilities	+	+	+		
Publication of contracts	+	+	+	+	+

Approval of a project by fiscal authority



China

Operational guidelines for PPPs:

Finance departments collect potential PPPs



Russia

224-FZ: PPP project may use budget resources only based on corresponding laws and regulations,



India

PPP Guide for Practitioners: approval of Cabinet Committee on Economic Affairs is required



South Africa

Treasury regulation 16, Public finance management act: written approval of federal or provincial treasury required

Evaluation of fiscal effects of a project

Brazil



The budgetary guidelines law: evaluation of potential revenue from PPPs

China



Guidelines for the Financial Affordability Assessment of the PPPs: evaluation of direct and contingent liabilities

Russia



Government Decree №1514: evaluation of comparative advantage of PPP project

South Africa



Public Private Partnership Manual contains manual for feasibility study



Methodical recommendations on risk allocation

-  **China**
Ministry of Finance and National Development and Reform Commission: Guidelines, Circulars and Implementing opinions aimed at strengthening of control and reduction of risks
-  **Russia**
13 model concession agreements (by sectors), which contain key risks and liabilities
-  **South Africa**
Public Private Partnership Manual contains key principles of risk allocation

Disclosure of contingent liabilities

- Brazil** 
Fiscal Responsibility Law: The Budgetary Guidelines Law is to include evaluation of contingent liabilities
- Russia** 
Decree of the Ministry of Economic Development №888: publication of annual PPP monitoring
- South Africa** 
Budget Review: contains estimations of contingent liabilities for PPPs

Monitoring of contingent liabilities

-  **Brazil**
The Budgetary Guidelines Law
Radar PPP Database
-  **China**
China Public Private Partnerships Center database
-  **India:**
PPP center
-  **Russia**
State Automated System "Upravlenie"
Rosinfra database
-  **South Africa**
Government Technical Advisory center

Guarantee and quasi-budget funds

- Brazil** 
Infrastructure Guarantee Fund:
up to 2 bln USD
- China** 
PPP Fund: 28 bln USD, mainly
equity investment

Setting the limits for contingent liabilities



Brazil

Federal budget – 5% of revenues
Regional budgets – 1% of revenues



China

PPP liabilities – 10% of public budget expenditures



India

PPP liabilities – 25% of current expenditures
Total contingent liabilities – 0.5% GDP

Publication of contracts

Brazil



Websites of PPP funds (BNDES fund, FEP Caixa)

China



China Public Private Partnerships Center: demonstration projects

Russia



Website of the Government of Russia
Website of public procurement

India



Website "PPPs in India"

South Africa



Website of public procurement

**Common
agenda for the
post-COVID 19
recovery in
BRICS:
managing
contingent
liabilities
related to PPPs**

- PPP mechanism creates opportunities for economic recovery;
- However, it must be used with caution;
- Each of BRICS countries can provide best practices of risk reduction measures related to PPPs