

Realization of projects of public-private partnership in tourism and services in the Russian Federation

Realización de proyectos de asociación privada-pública en turismo y servicios en la Federación Rusa

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Content

- [1. Introduction](#)
 - [2. Methods and Materials](#)
 - [3. Results](#)
 - [4. Discussions](#)
 - [5. Conclusion](#)
- [References](#)

ABSTRACT:

The need for state participation in the development of tourism is caused by high costs and a long payback period in the construction and reconstruction of tourist infrastructure. However, today certain problems that hamper the realization of the potential of public-private partnership (PPP) in tourism are not solved, which determines the relevance of this study. This paper is aimed at researching and summarizing the experience of implementing projects of public-private partnership in tourism and the service sector of the Russian Federation. In order to assess the state and prospects for the development of PPP projects in tourism and services, to identify the specifics and problems in implementing projects on building infrastructure in the regions of the Russian Federation, desk methods were used. To process the data used to describe and analyze information, general scientific methods of cognition were used, including theoretical studies (analysis, synthesis, aggregation) and empirical (observation, comparison), as well as the system approach. The article presents the results of assessment of the state

RESUMEN:

La necesidad de participación del estado en el desarrollo del turismo es causada por altos costos y un largo período de amortización en la construcción y reconstrucción de infraestructuras turísticas. Sin embargo, hoy en día no se resuelven ciertos problemas que dificultan la realización del potencial de la asociación público-privada (PPP) en el turismo, lo que determina la relevancia de este estudio. Este trabajo tiene por objeto investigar y resumir la experiencia de implementar proyectos de asociación público-privada en turismo y el sector de servicios de la Federación de Rusia. Con el fin de evaluar el estado y las perspectivas para el desarrollo de proyectos PPP en turismo y servicios, para identificar los detalles y problemas en la implementación de proyectos de construcción de infraestructura en las regiones de la Federación de Rusia, se utilizaron métodos de escritorio. Para procesar los datos utilizados para describir y analizar la información, se utilizaron métodos científicos generales de cognición, incluyendo estudios teóricos (análisis, síntesis, agregación) y empíricos (observación,

and prospects for the development of PPP projects in tourism and services. It was shown that the use of PPP mechanisms in the tourism sector has been expanding in recent years. This conclusion is confirmed by the implementation of such successful infrastructure projects in tourism as the construction of the passenger sea terminal in St. Petersburg, the reconstruction of Pulkovo airport in St. Petersburg, the project in the Caucasian tourist cluster, the project in Belokurikha tourist and recreational cluster. Competent governmental support of the tourist business will ensure a rise in tourists' flows and development of the region's economy. The paper may be of interest to specialists of federal and regional tourism administrations, private investors, as well as for anyone interested in public-private partnership in tourism.

Keywords: public-private partnership, tourism, project, special economic zone, investments

comparación), así como el enfoque del sistema. El artículo presenta los resultados de la evaluación del estado y las perspectivas para el desarrollo de proyectos PPP en turismo y servicios. Se demostró que el uso de mecanismos PPP en el sector turístico se ha ido expandiendo en los últimos años. Esta conclusión se confirma con la implementación de proyectos de infraestructura exitosos en turismo como la construcción de la terminal marítima de pasajeros en San Petersburgo, la reconstrucción del aeropuerto de Pulkovo en San Petersburgo, el proyecto en el Cáucaso Cluster turístico, el proyecto en el cluster turístico y recreacional de Belokurikha. El apoyo gubernamental competente de la empresa turística garantizará un aumento de los flujos turísticos y el desarrollo de la economía de la región. El documento puede ser de interés para los especialistas de las administraciones turísticas federales y regionales, los inversores privados, así como para cualquier persona interesada en la asociación público-privada en el turismo.

Palabras clave: asociación público-privada, turismo, proyecto, zona económica especial, inversiones

1. Introduction

To date, issues of public-private partnership (PPP) in tourism are given great importance globally, because owing to the integration of financial opportunities of regional and municipal budgets and activity of small and medium-sized businesses, many projects in services are now being implemented.

According to Ulyanova & Nikiforova (2007), public-private partnership is an alliance between the government and the business, used to implement various investment projects, the main condition of which is to benefit the society. The state participation in such projects allows reducing the project payback period, increasing profitability or reducing risks, which in general affects the investment attractiveness of the project (Matveeva, 2015).

Considering the peculiarities of PPP projects in services and tourism, Akimova & Volkov (2012) note that the need for state participation in the development of the tourism industry is reasoned by high costs and a long payback period in the construction and reconstruction of tourist infrastructure.

At the same time, despite the promising nature of this type of partnership in tourism, Volkov & Morozova (2016) note a number of factors that hinder the development of PPP projects in services and tourism:

- insufficient legislative base on public-private partnership and related specifics in the service sector;
- despite wide application in various regulations, in particular in the Budget Code of the Russian Federation and in a number of federal target programs, the legal concept of PPP is missing at the federal level.

All that causes the relevance of the study of the experience of implementing public-private partnership projects in tourism and services in the Russian Federation.

2. Methods and Materials

The study of problems of the implementation of public-private partnership projects in tourism and services in the Russian Federation was done using the following sources of information:

Unified information system of public-private partnership in the Russian Federation;

Official website of the Ministry of Economic Development of the Russian Federation;

Order of the Government of the Russian Federation No. 941-r of 31.05.2014 "On Approving the

Strategy for the Development of Tourism in the Russian Federation for the Period until 2020";

The Federal Act No.116-FZ of July 22, 2005 (as amended on July 3, 2016) "On Special Economic Zones in the Russian Federation";

Public-private partnership in Russia 2016-2017: current status and trends, rating of regions. 2016;

Proceedings of scientific conferences;

Scientific publications on the issues of public-private partnership in tourism and services.

In the course of studying the issues of the implementation of public-private partnership projects in tourism and the service sector of the Russian Federation the authors used desk research methods to assess the state and prospects for the development of PPP projects in tourism and services, to identify the specifics and problems of implementing projects on building infrastructure in the regions of the Russian Federation.

Within the framework of the study of the specifics of implementation of projects on building infrastructure in Russia's regions, general scientific methods of cognition, including theoretical studies (analysis, synthesis, aggregation) and empirical (observation, comparison) and the system approach were used to process data used for the description and analysis of information.

3. Results

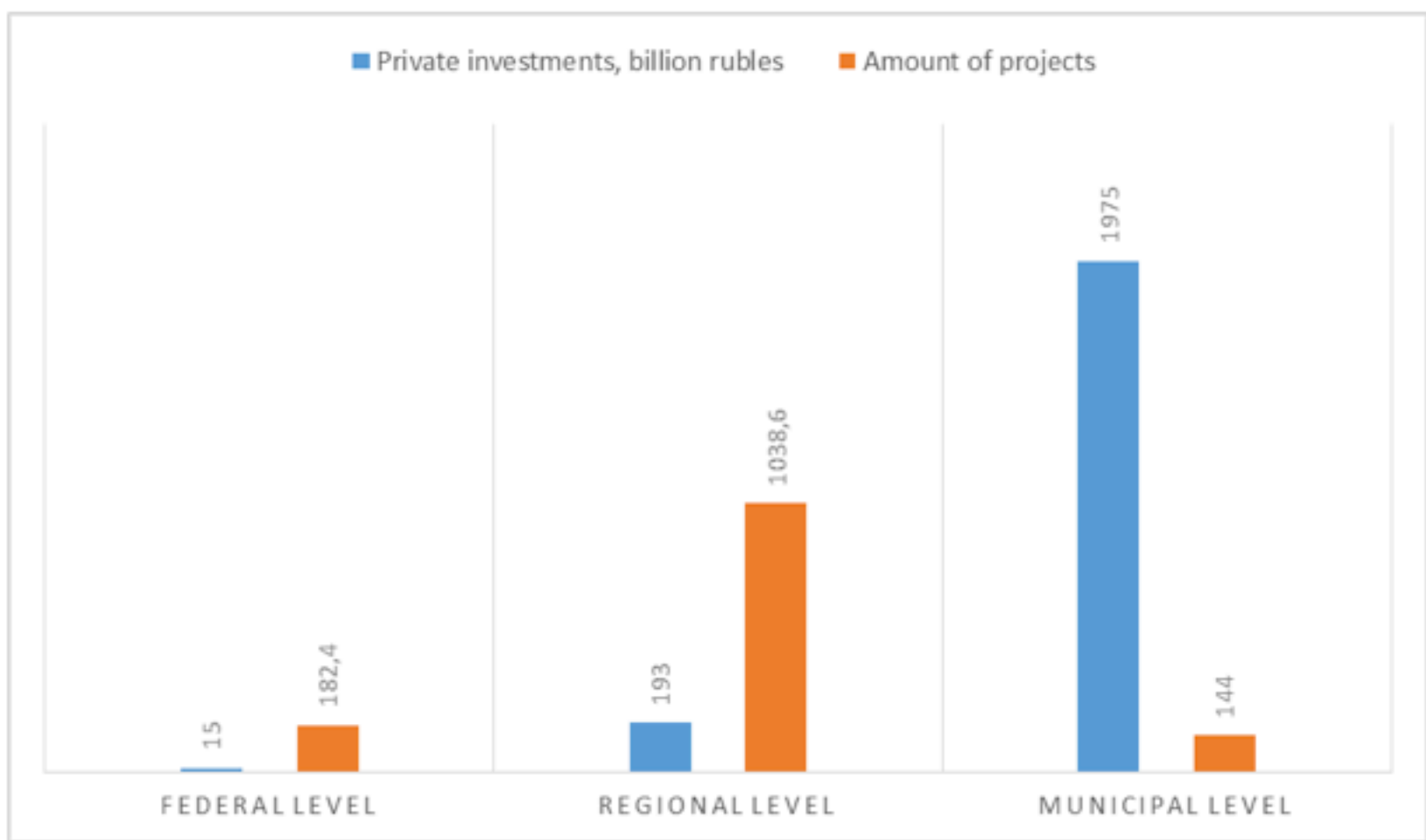
3.1. Evaluation of the state and prospects for the development of PPP projects in tourism and services

The study of statistical information on the implementation of projects based on PPP shows that, as on early 2017, some 2,446 infrastructure projects have passed the decision-making stage in the Russian Federation at various levels of administrative management.

In turn, PPP projects that have passed the stage of transaction's closing (signing of agreements/contracts) amount to 2,183, in which the total investment liabilities (financing obligations for the establishment/construction/reconstruction) of the public and private parties amounted to 2.040 trillion rubles, of which the obligations of private partners – 1.336 trillion rubles (65.4%) (Public-private partnership in Russia 2016-2017: current status and trends, rating of regions, 2016.).

The distribution of the number of projects and "contracted" investment obligations of private partners at administrative levels is shown in Fig. 1.

Figure 1. The ratio of the number of implemented PPP projects and the volume of financial obligations of private investors in the Russian Federation (as of early 2017)



It should be noted that concession remains the main form of implementation of PPP projects in Russia. So, 2,020 infrastructure projects are being implemented and will be implemented in the form of a concession agreement. PPP / MPP agreements are used more to structure social projects (health, education); currently there are some 70 projects within the framework of regional legislation.

Assessing the effectiveness of PPP mechanisms in tourism and services, it should be noted that although this mechanism was supposed to be used as the core one in the implementation of the Strategy for the Development of Tourism in the Russian Federation until 2020, as the most promising way of uniting the efforts of public authorities and private businesses to create tourist infrastructure, statistics show a small proportion of projects in this area, implemented on PPP principles (On Approving the Strategy for the Development of Tourism in the Russian Federation Until 2020).

So, at the end of the first quarter of 2017, there are 23 projects in 11 Russian regions, in tourism at the implementation stage representing 0.94% of the total number of projects implemented on the principles of PPP in all sectors of the economy. Out of these, 7 projects are implemented at the regional level and 16 projects at the municipal level. It is worth noting that most of the projects are implemented on the basis of the Federal Act "On Concession Agreements" of July 21, 2005 No. 115-FL, namely 13 while 10 more projects are based on other forms of PPP: a lease or a gratuitous agreement with investment obligations – 2 projects; an investment agreement or other forms of contract providing for the creation and operation of public infrastructure by a private partner – 8 projects. The total investment in these projects is 15.87 billion rubles. (Unified information system of public-private partnership in the Russian Federation).

However, it is worth noting that in 2016, the use of PPP mechanisms in the tourism sector has expanded. So, at the beginning of 2016, only 9 projects were implemented, including 1 at the regional level and 8 at the municipal level, and by early 2017 the number of projects increased by 155% and amounted to 23, 13 at the regional level and 10 at the municipal level, which allows concluding that this mechanism is growing in popularity (Public-private partnership in Russia 2016-2017: current status and trends, rating of regions, 2016).

Thus, the positive dynamics of the implementation of PPP projects in tourism and service is

visible. However, each project has its own features and complexities. The authors study four PPP projects aimed at creating the infrastructure being implemented in the regions of the Russian Federation.

3.2. "Morskoy fasad" ("Marine Façade") construction of a passenger seaport in St. Petersburg.

Passenger Port of St. Petersburg "Morskoy fasad" is the first and unique specialized passenger port in the North-West region of Russia located on the alluvial territories of the Vasilievsky Island. The port complex includes seven berths for ocean liners up to 330 meters long, three cruise ships and one specialized cruise ferry terminal. The total length of the berths is 2,171.06 m.

The port construction project was implemented via public-private partnership in accordance with the Act of St. Petersburg of 04.10.2006 No. 464-75 "On the target program of St. Petersburg "Realization of the investment project for the development of the sea passenger terminal on Vasilievsky Island in Saint-Petersburg".

Full name: Passenger Port of St. Petersburg "Morskoy fasad". Customer: OAO "Passenger Port of St. Petersburg" Morskoy fasad". Investor: ZAO "Terra Nova". Period of construction: 2006-2011. The total volume of capital investments in the construction of the Sea Passenger Port is about 18 billion rubles, including financed from investments – 10.3 billion rubles (Target program of state financing); federal investments – 8 billion rubles. Sources of financing: funds of regional, federal budgets and funds of private investors.

3.3. Reconstruction of Pulkovo Airport (Saint-Petersburg)

The Pulkovo Airport Modernization Project is a unique example of PPP, implemented without budgetary funds. In April 2010, a tripartite agreement was concluded between the Government of St. Petersburg, Pulkovo Airport and the LLC "Air Gate of Northern Capital" (hereinafter referred to as AGNC), valid for 30 years since its entry into force on the creation, reconstruction and operation objects included in the property of Pulkovo airport, according to which the state, represented by the city of St. Petersburg, and Pulkovo Airport, transferred the airport to the consortium LLC "Air Gate of Northern Capital" for long-term lease for 30 years to effectuate a large-scale reconstruction of existing and construction of new airport infrastructure facilities. Throughout this period, AGNC will operate Pulkovo Airport, provide its services and invest in the development of the airport in accordance with the PPP Agreement. Also, AGNC was granted the exclusive right to provide airport services in Pulkovo Airport. At the same time, according to the agreement, it is obliged to complete the creation of a modern airport with a capacity corresponding to the level of passenger service "C" according to the IATA classification. It is assumed that by 2039 the airport capacity will be at least 35 million passengers per year. Control over the provision of high-quality air services by AGNC and the fulfillment of its obligations in connection with the development and operation of Pulkovo Airport, as prescribed by the PPP agreement, is performed by OAO "Pulkovo Airport". Also, according to the terms of the agreement, AGNC annually pays OAO "Pulkovo Airport" and St. Petersburg a concession payment consisting of two parts – permanent and variable, and after the completion of the project returns the property complex to St. Petersburg and OAO "Pulkovo Airport". Beginning in 2013, the airport operator pays to the Government of St. Petersburg and OAO "Pulkovo Airport" a fee of 11.5% of the revenues earned from airport operation, in addition to taxes to budgets of all levels. Until the end of 2014, the project received about 1.2 billion euros. Financing of the first phase of the project was carried out at the expense of shareholders' funds (33%), the company's own funds (7%) and loans from international financial institutions and major international commercial banks.

3.4. PPP Projects in the Caucasian Tourist Cluster

In order to develop the tourism infrastructure in the South of Russia, nine tourist and recreational special economic zones (SEZ) in the regions of the North Caucasus federal district have been created and merged into the North Caucasus Tourist Cluster (NCTC) under the management of OAO "North Caucasus Resorts" ("NCR"), as well as in the Krasnodar Territory and the Republic of Adygea.

The tourism cluster project is implemented on the principles of public-private partnership, which has proved its effectiveness in the global practice. The state via NCR finances the creation of local engineering infrastructure in special economic zones; at the expense of the federal targeted programs, programs of natural monopolies and republican budgets, the construction of external energy, transport and engineering infrastructure to the territory of the SEZ is funded. Private businesses invest directly in the hotel and tourist entertainment infrastructure, commercial real estate.

For example, the structure of the cluster includes the all-season tourist and recreational complex "Arkhyz", which is the launch pad of NCTC, a project developed under the management of the NCR based on PPP. The state, through NCR finances the development of engineering and ski infrastructure, private investors – entertainment and commercial infrastructure: hotels, restaurants, cafes, health centers, etc. There are already nine investors on the site of the resort that have received the status of a resident of a special economic zone of tourist and recreational type. This status gives investors a number of privileges and preferences (Table 1).

Table 1. Tax benefits and other preferences provided within the framework of the Caucasian tourist cluster

1. Tax preferences			
Tax	Standard rate	Preferential rate	Term of preference
Profit tax	20%	13.5%	Before 01.01.2023 (after that 15.5%)
Property tax	2.2%	0%	10 years from the date of registration of property
Land tax	1.5%	0%	5 years from the date of the emergence of ownership of each land plot
Insurance premiums	30%	14-28%	14% – before 2017 21% – before 2018 28% – in 2019
2. Other measures of state support			
Provision of long-term lease of land on preferential terms		Free connection to the engineering infrastructure	

At the moment, NCR being the management company of all-season tourist and recreational complex "Arkhyz" invites micro, small, medium and large businesses to join the development of the resort area in accordance with the approved master plan and architectural concept.

3.5. PPP projects in the tourist and recreational cluster "Belokurikha" (Altai Territory)

In the Altai Territory, tourism has become an independent branch of the economy, on active development of which depends a powerful multiplicative effect of the related businesses, increasing employment and living standards in the region. One of the major investment projects in tourism of the Altai Territory is the creation of a tourist and recreational cluster "Belokurikha". Planned indicators for the implementation of the Belokurikha project are the following. The planned period of the project implementation is 2011-2018. Sources of financing are public funds – 2.2 billion rubles (funded as on January 2017 some 1.9 billion rubles), and off-budget investments – 5.5 billion rubles. (1.9 billion rubles funded). It is planned to create 3,700 accommodations on the area of 7,700 hectares, capable of hosting 250,000 people (as on January 2016, the tourist flow has already reached 219,000 people). At the same time, within the development of the tourist recreational cluster Belokurikha, another large-scale project is being implemented on the principles of PPP – the construction of a new tourist resort Belokurikha-2, which was officially announced in 2009, and in 2010 it was included in the federal target program "Development of domestic and incoming tourism in the Russian Federation (2011-2018" (Federal Act No. 224-FZ, 2015).

4. Discussions

Earlier studies on the implementation of public-private partnership projects in tourism were considered as one of the directions for the development of tourism at the federal and regional levels (Varnavsky, 2009; Glasova & Safronova, 2017, Dorozhkov & Kupchinskaya, 2016), Akimova & Volkov (2012) determine the prerequisites for the use of public-private partnership in tourism, Volkov & Morozova (2016) note a number of factors that hinder the development of PPP projects in services and tourism (Ventura et al., 2016; Ganguli & Ebrahim, 2017)

Some of the authors of this paper (Zaitseva, Semenova et al., 2016; Larionova, et al., 2015; Zaitseva et al., 2016) have repeatedly written about the need for state support for the development of tourism.

The approach proposed by the authors of this paper is somewhat novel and summarizes up the experience of implementing PPP projects in tourism aimed at creating the infrastructure being implemented in the Russian regions. The conducted research allows concluding that a concession is still the main form of PPP projects implementation in Russia. Despite the difficulties of implementing projects, their uniqueness, the use of PPP mechanisms in the tourism sector is expanding.

5. Conclusion

Research on the implementation of projects aimed at creating infrastructure on the principles of PPP in tourism, allows concluding that this mechanism of interaction between the private business and the state authorities is effective in implementing large infrastructure projects.

The interaction of the state and business in public-private partnerships can become one of the most promising areas for intensifying tourism development. With competent support by the government of the tourist business, a rise in tourist flows and development of the region's economy will be ensured.

The paper may be of interest to employees of state and municipal tourism authorities, private investors and anyone interested in tourism.

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[Index]

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