



Public-Private Partnership as a basis for strengthening BRICS post pandemic recovery

The BRICS have chosen the route towards internationalisation, economic integration and modernisation and support economic entities, intended for strategic interests of the partner countries. In its essence public-private partnership (PPP) is a platform where public and private investors come together to find mutually beneficial resolution of financial and economic problems. It is important to note that PPP does not mean any transfer of assets from public to private institutions, but represents responsible involvement of participants, conducting business in social interest and valued outcome.

The aim of the government, within a PPP, is to solve social and economic problems and associated participants strive for profit maximisation. Risks and responsibilities of business are successfully distributed if the project is structured and monitored by an appropriate implementation schedule. As a result, PPP is beneficial for participants as an opportunity for economic development. In its turn, International Monetary Fund experts note that positive partners' activity relates to harmonisation of financial relations. This finding applies to BRICS. The partner-countries are strengthening post-pandemic economic recovery and effective solutions for challenges can be successfully based on a PPP vehicle, due to the following:

- Intergovernmental support of strategic environmental, infrastructural, social and educational projects is vital for stakeholders. It compensates market discrepancies and shortfalls with the vast profit desire. More than that, intergovernmental initiatives positively influence supply and demand process through fiscal policy that regulates economic growth.

- Market players are concerned with microstructural demands. Effective intergovernmental relations provide a certain balance between public and private interests.
- Development of BRICS post-pandemic financial markets distort macroeconomic relations, which demand intergovernmental involvement in regulation and support of economic entities as well as the creation of favourable conditions for business with the aim of strengthening the role of the BRICS in a globalised economy.

Current BRICS fundamental goals are economic growth, production recovery and increase, modernisation of supply and demand structure, support of innovations and sustainable growth. In this regard, it seems appropriate for BRICS public institutions to support business by providing concessions, guaranties, export financing, distribution of goods and services as well as support of innovations. It is worthwhile using international experience of providing intergovernmental control of pricing, quality of goods and services and management of strategic projects. Public institutions possess great potential in areas such as budget management, tax and insurance regulation, monetary policy and legal systems. Thus, new types of BRICS economic relations in a post-pandemic era are linked to strengthening PPP relations. These should be taken into consideration, while selecting optimal solutions for BRICS issues.

The world is facing huge challenges provoked by issues such as a sluggish COVID-19 post-pandemic recovery and climate change. When coping with these challenges, BRICS partners have realised that it is important to promote sustainable and inclusive development, characterised by innovations, greenness, cooperation and resilience, aimed at achieving the United Nations 2030 Sustainable Development Goals (SDGs). In this respect, infrastructure, as an important pillar for sustained growth, plays a crucial role in the development of human society. With the demand, increase and expansion that infrastructure needs on the one hand and growing fiscal constraints of developing countries on the other, BRICS governments encourage participation of private investors in economic recovery, leveraging their capital, technology and management expertise.

The public-private partnership mechanism is widely recognised and applied around the world, promoting private sector investment and innovation vitality, supporting national development programs, improving the quality of public goods and services,

relieving short-term fiscal burden and smoothing government payments, and enhancing international connectivity. PPP contributes to acceleration of funds, fair competition in the merit-based selection of private partners, risk sharing and equal cooperation between the parties.

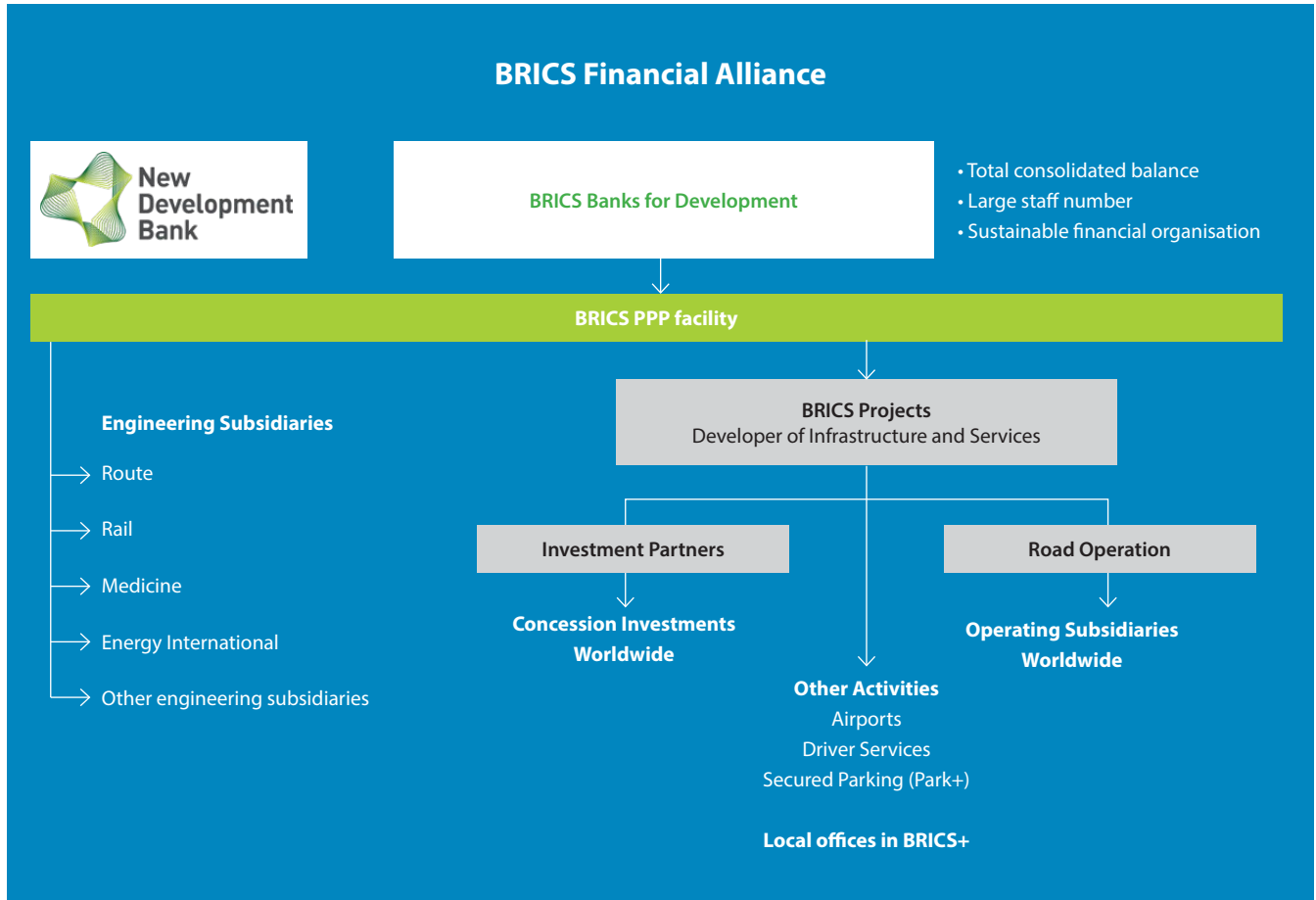
International institutions, including the United Nations agencies, attach great importance to PPP. In 2019, the 52nd session of the United Nations Commission on International Trade Law (UNCITRAL) amended the former Legislative Guide and Model Legislative Provisions on Privately Financed Infrastructure Projects into the Legislative Guide and the Model Legislative Provisions on public-private partnerships. Thus, the regional economic and social committees of the United Nations have been facilitating PPP capacity building and international cooperation among their member countries. Promoting PPP to speed up infrastructure development is highlighted as a priority by leading international fora such as the BRICS and G20.

The study proves that BRICS countries have significant reserves for multilateral cooperation and support of trade and economic relations, supported by BRICS banks for developments and intergovernmental financial institutions with BRICS countries participation. It is worthwhile mentioning, that in July 2019 the NDB's portfolio had reached 38 loans for infrastructure and sustainable development projects for the member countries. In December 2019, the NDB Board of Directors approved the provision of technical assistance through the Bank's specialised Project Preparation Fund (PPF) - a multi-donor fund, opened to contributions. In this regard, harmonisation of financial, trade and economic relations of partner countries is strongly recommended in order to solve strategic problems successfully and to improve the living standards of the BRICS population. These measures simplify the access of BRICS entrepreneurs to credits and industrial goods, as well as to direct and indirect financing. Promotion of BRICS trade and finance cooperation, provision of equal access to the stock markets of member countries, and diversification of financial instruments, play an important role in the named processes of post-pandemic recovery.

Evaluation of indices of BRICS stock markets revealed that the absence of a coherent long-term strategy for BRICS economic partnership prevents them from resource accumulation and effective risk management. In order to expand resources for economic cooperation it is advisable to increase the interaction of the New Development Bank

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Figure 1. BRICS public-private partnership facility.



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with BRICS Banks for development as well as banks with BRICS participation. This, taking into consideration, that such kind of financial institutions are financial intermediaries, that provide direct and indirect financing for their customers. Most BRICS member states are accelerating the usage of national currencies in servicing the needs of economic entities. It seems appropriate to speed up harmonisation of financial relations in this respect that contribute to risk management and accelerate interaction between the parties.

An important role in this regard is played by the BRICS New Development Bank (NDB), which, during the global pandemic threat of the COVID-19 did not stand aside and on April 2, 2020, successfully issued bonds in the amount of 5 billion yuan for a period of 3 years and attracted high-quality diversified investors. Then, on May 11, 2020, NDB allocated a \$1 billion Emergency Assistance loan to India. The funds were a provision for supporting the Government of India in its efforts to contain the spread of COVID-19 and reduce the human, social and economic losses

caused by the coronavirus outbreak. Selective facts testify to the successful activity of the Bank in the interests of the member countries.

It seems appropriate to not only focus on financing projects in clean energy, energy efficiency, transport infrastructure, water supply, sanitation, environmental protection, social and digital infrastructure, but to also consider the possibility of supporting enterprises intended for public-private partnership support and technology transfer, backed by a single BRICS digital currency, which can reduce BRICS transaction costs and functional risks. Key methods for ensuring financial security in this respect are mutual functioning rules, certified operators of BRICS payment system, general requirements for consumers and principles of supervision. Expansion of infrastructure and green bonds in national currencies also contribute to BRICS partnerships aimed at post-pandemic recovery.

Public-private partnership projects play a significant role for the BRICS and create a positive impact on the economy by generating investment,



revenue, and profit opportunities, eventually leading to increased economic growth. NDB cooperation with BRICS development banks provides the setting up of BRICS Financial Alliance and special PPP facility (See Figure 1). These are designed to meet the needs of the BRICS population in reaching the goals of BRICS' sustainable and inclusive development.

Main models for secure PPP cooperation are suggested to be the following: concessions (BOT), co-financing, sale and lease, participation in the share capital, state orders implementation, special economic zones, technological parks preferential investment agreements and sale of shares. Prerequisites for success are clear legal framework, transparent tender business-process, flexible concession agreements, feasible payment structure and fair allocation of risks.

While strengthening BRICS post-pandemic recovery, the BRICS countries promote the spirit of openness, inclusiveness and mutually beneficial cooperation; practice a multilateral approach in a high-quality partnership that is consolidated and

pragmatic. Thus, it is reasonable to accelerate efforts intended for maintaining open, sustainable global and regional production and supply chains, as well as using BRICS advantages to support common interests in G20 and UN.

It is important that the BRICS collaborate to maintain common values of peace, development, equality, justice, democracy and freedom, striving for a sustainable and secure existence, based on the principles of the UN Charter.

Creation of the BRICS Alliance for Industrial Cooperation will also provide the expansion of BRICS economic relations in the interests of our nations. ●

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