

PPP in Sports: New Opportunities for Investors

KEY CONCLUSIONS

Sport is the driver for developing regions

"The World Cup gave a new momentum to the development of children's sports and attention to education in sports. We are now experiencing a huge wave of admission to children's sports schools and classes," Olga Golodets, Deputy Prime Minister of the Russian Federation.

"Sport certainly is the locomotive, the driver of the regions' development; that is what we all saw during the World Cup <...> In total, over 50,000 sports facilities were put into operation in Russia over the past 10 years, and at the same time more than 90% of them are owned by the state or the municipality," Tatiana Remezova, Anchor, Vesti News Show, All-Russia State Television and Radio Broadcasting Company

"We changed the mentality, we changed the perception that sport is not only a burden <...>, it is also a business, it is also the economy, it is creating jobs," Alexei Tsydenov, Head of the Republic of Buryatia.

Application of PPP mechanism is expanding in Russia

"Public-private partnership allows countries to save 15 to 20% of government spending. In Russia, public-private partnerships are developing rapidly: in 2010 there were only 10 projects totalling 43 billion, over 7 years the number of projects multiplied and amounted to 2,500 projects in absolutely various sectors of the economy," Pavel Kolobkov, Minister of Sport of the Russian Federation.

"Public-private partnership, as a new mechanism, is developing actively and rapidly <...> As for our topic of discussion, physical culture and sports, about 60 PPP projects have already been launched, the volume of private investment is 12.5 billion roubles," Tatiana Remezova, Anchor, Vesti News Show, All-Russia State Television and Radio Broadcasting Company.

"We are now regulating tariffs, in cooperation with Aeroflot, they meet us halfway, and according to the results of the last year, our increment tourism is 30%," Anton Zaytsev, Deputy Chairman of the Government of Sakhalin Region.

Banks offer loans for investors in sports infrastructure

"As of today, the total amount of financial support in sports from corporations is just over 24 billion roubles <...> We came up with, developed and approved three credit products. The first credit product – it is in the range of 1 to 5 million roubles – those are the small facilities of

sports infrastructure that pay off and are developed quite quickly and efficiently by entrepreneurs,” Dmitry Golovanov, Chairman of the Board, Member of the Supervisory Board, SME Bank JSC.

PROBLEMS

Absence of systematic approach to developing sports infrastructure

“First of all, it must be acknowledged that, unfortunately, all projects that work, they are of such unsystematic nature. They made money, above all, thanks to tremendous administrative support and resources of those investors who implemented these projects, those regional leaders who promote the project,” Dmitriy Svishchev, Chair, Interdepartmental Working Group on the Development of Public-Private Partnership in Physical Education and Sport under the Government of the Russian Federation.

Lack of investors’ funds for maintenance of sports infrastructure

“People create infrastructure, and then they typically can’t maintain it, and that’s where we can’t do without municipal commissions,” Vladimir Yakushev, Minister of Construction, Housing, and Utilities of the Russian Federation.

Low return on investment in sports infrastructure

“We do not see much interest from television broadcasters, which in turn leads to low appeal to the viewers. <...> The second problem is that those are old, outdated infrastructure projects where we can’t fully use all of our marketing potential as a sponsor,” Viktor Lukyanov, Head of Brand Strategy Development Directorate, VTB Bank.

Dependence on foreign manufacturers of sports equipment

“PPP in sports is not only sports facilities; it's also the production of sports equipment and gears. In 2017, the Russian sports market <...> was estimated at 600 billion roubles, where the share of Russian producers stood only at 10%,” Talia Minullina, Head of the Agency for Investment Development of the Republic of Tatarstan.

SOLUTIONS

Coordination of PPP projects participants

“As of today, sufficiency of sports facilities stands at about 50%, and we believe that with private investment we can increase that number by 20%

in a short term, but for that we need, of course, as I said in the beginning, the coordination of the parties that implement these projects,” Pavel Kolobkov, Minister of Sport of the Russian Federation.

Adopting regional programmes for sports development

“Among the criteria that halt and slow down, there are the deadlines. As we all understand, you can put 300–400 days on paper, as they say, but <...> of course, it’s not possible to implement a PPP project in less than two years <...> The only way out is to strike proactively. It is very important that the administration of the region carefully studies the shortage of sports facilities, the shortage of those sports facilities that are needed, and implement projects. What needs to be done? We need to do simple things, create a programme for sports development at the highest regional level, allocate land lots and prepare initial permits,” Dmitriy Svishchev, Chair, Interdepartmental Working Group on the Development of Public-Private Partnership in Physical Education and Sport under the Government of the Russian Federation.

Active marketing policy

“I think that everyone from the regional to the federal level needs to spend money and man-hours on marketing and promoting our Russian and local start-ups,” Alexander Brechalov, Head of the Udmurt Republic, Co-Chairman of the Central Staff, All-Russia People's Front (ONF).

Establishing a fund for project co-financing

“Last year there was a report of the Accounts Chamber on inefficient programmes. It is possible to create a co-financing fund from these programmes, which will be able to ensure the creation of new facilities. I propose to solve the issue of financial security of these objects with the Bank of Russia through changing the system of reservation for the implementation of projects <...> And that, in fact, will allow to massively implement new investment projects, so that this co-financing fund will also be the government support,” Anna Belichenko, Head, Organizing Committee of the Regions Sustainable Development Annual Public Award Competition.