



Interaction of the State and Business at the Post-COVID Period

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INTRODUCTION

2020 will be inscribed in history as the year when a new coronavirus infection COVID- 2019 changed the economic landscape of the whole world. Since the World Health Organization recognized the coronavirus as a global pandemic in March 2020, COVID-19 has infected more than two hundred and sixty million people worldwide. The International Monetary Fund predicts the slowest economic growth in 60 years. Global growth, according to the forecast, will be 4.25% in 2021 and will slow down to 3.75% in 2022. Forecasts for 2021 and 2022 are higher than in the forecast of the International Monetary Fund in October 2020. The upward revision of the projections is based on measures aimed at additional budget support and the expected results of mass vaccination (IMF, 2021).

COVID-2019 slowed down the economic development of the Russian Federation as other countries too. According to open sources, as of April

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2021, about 4.6 million cases were registered in the Russian Federation (Kommersant, 2021). In addition to the detrimental effects on human health, the pandemic has dealt a double blow to the economy, not only by halting production but by reducing the volume of goods and services produced, and also by a significant drop in consumer demand, related to reduced income, significant restrictions on mobility and social distancing measures.

The relevance of the topic of interaction between the state and business in the post-COVID period in the Russian Federation is due only to economic realities, but also to the fact that COVID 2019 revealed “deep-rooted vulnerabilities” in infrastructure not only in the public health system, but also in other sectors of the economy.

The article is devoted to analysis:

- possible scenarios of pandemic development and their impact on the loss of private partners involved in public–private partnership projects;
- the effectiveness of state measures aimed at supporting the most vulnerable sectors of the economy, including participants in public–private partnership projects.

METHODOLOGY

The assessment of problems of interaction between the state and business in the post-coronavirus period could not be carried out on the basis of historical or statistical data, due to the lack of economic indicators and data necessary for the calculation in open sources. The author chose a mixed method of collecting information, including the balance sheets of infrastructure companies (SPARK system, 2021), as well as one of the qualitative methods of calculating prerequisites and risks, based on the method of expert assessments. This method, based on surveys of specially selected analysts at different directions, well informed about the specifics of the problem under consideration, allowed to generate the results presented in this article. The study was conducted by the author in 2020–2021 by interviewing a number of domestic specialists in the field of implementing projects based on public–private partnerships. The study focuses on the problems of the financial recovery of the private party in public–private partnership projects in the Russian Federation.

RESULTS

Studies conducted in May 2020 operated on four possible scenarios for the development of the situation: favorable, realistic, pessimistic and moderately pessimistic. All scenarios were based on the same prerequisites with different degrees of possible implementation. So, in a favorable scenario, it was assumed that:

- the second wave of restrictive measures will not be introduced;
- the growth of the disease will stop both against the background of large-scale vaccination and against the background of a standard decline in diseases of this kind in the warm period of the year;
- the economy of the country will begin to recover smoothly and recover by the end of 2021.

In a realistic scenario, it was assumed that:

- the second wave of restrictive measures will be introduced, but will not be large-scale, and the restrictions themselves will be less severe;
- the growth of the disease will begin to decrease both against the background of large-scale vaccination and against the background of a standard decline in diseases of this kind both in the warm period of the year and due to the adaptive properties of the human body;
- the rate of change in the country's economic indicators will no longer show negative values and will recover by the end of 2022.

In a moderate-pessimistic scenario, it was assumed that:

- the second and third wave of restrictive measures will be introduced;
- the growth of the disease will slow down its pace against the background of vaccination, while isolated cases of virus mutation will be observed;
- the growth rate of the country's economic indicators will recover by the end of 2023.

In the pessimistic scenario, it was assumed that:

- the second and third wave of restrictive measures will be introduced;

- the growth of the disease will not slow down its pace, and the virus will actively mutate;
- the growth rate of the country's economic indicators will recover by the end of 2025.

The data obtained by the author were close to the results of one of the leading analytical centers in the field of infrastructure projects (InfraOne Research., 2021). According to analysts of InfraOne Research, the total loss in the revenue of infrastructure companies from the pandemic at the end of 2020 amounted to almost 1.93 trillion rubles, which averaged 12.8% their annual revenue, or was equivalent to its absence for a month and a half. Almost 55% of this amount fell on the duration of the regime of the most severe restrictions in most Russian regions, which lasted from mid-March to the end of June. We estimated the annual revenue in each industry based on data on the financial performance of profile companies for 2019 in the SPARK system. The forecast for 2020 was made taking into account information from sectoral ministries, associations and companies themselves. The sources of data on the fall or increase in demand were official publications of federal and regional authorities, Federal State Statistic Service of the Russian Federation (Rosstat), reports of specialized companies and associations (Osipov et al., 2020; Yankovskaya et al., 2020). The point of reference for losses in each case was the beginning of the suspension or restriction of the activities of a particular industry. If any case was not restricted and suspended, but the work of specialized companies was noticeably influenced by the self-isolation regime, then the “countdown” of losses was carried out from the moment of its introduction until the moment of withdrawal (InfraOne Research, 2021).

As for April 2021, it is clear that the moderate-pessimistic scenario is being implemented. So, taking into account the implementation of the second wave of restrictions, the mutation of the virus and the rate of vaccination in the Russian Federation, on the author's assumptions, taking into account qualitative estimates of analysts participating in the survey, and based on the data of the SPARK System on the results of the balance sheets of companies for 2020, financial losses in the revenue of infrastructure companies in 2021 will slow down and nevertheless amount to about 2.7 trillion rubles, taking into account the summation of losses according to the results of 2020.

It is worth mentioning that one of the most affected industries in the period 2020–2021 was social infrastructure. According to the Spark System, on average, a company representing services in the field of culture and sports has lost at least 30 percent of annual revenue. At the same time, in some regions, losses amounted to 60% of annual revenue.

The results of qualitative assessments are presented in Fig. 6.1, taking into account the actual indicators of 2020 and the estimated values of 2021. The diagram was developed by the author taking into account the data of the Spark system (SPARK system, 2021) and the analytical data of the report of LLC “First Infrastructure” (InfraOne Research, 2021).

It is advisable to note that the largest losses in revenue are observed in the field of culture and sports. Various sources of information indicate that losses amounted to at least 58–60% in annual terms. Specialists working in this area are waiting for a loss in revenue and according to the results of 2021 at least 35%, since it was from the sports and cultural infrastructure that restrictions were removed later than all other objects. Also, in the Russian Federation, as of April 2021, there is a requirement for a social distance, which leads to a loss in occupancy. So, in the field of cultural events in Moscow from November 2020, the Mayor’s Decree was

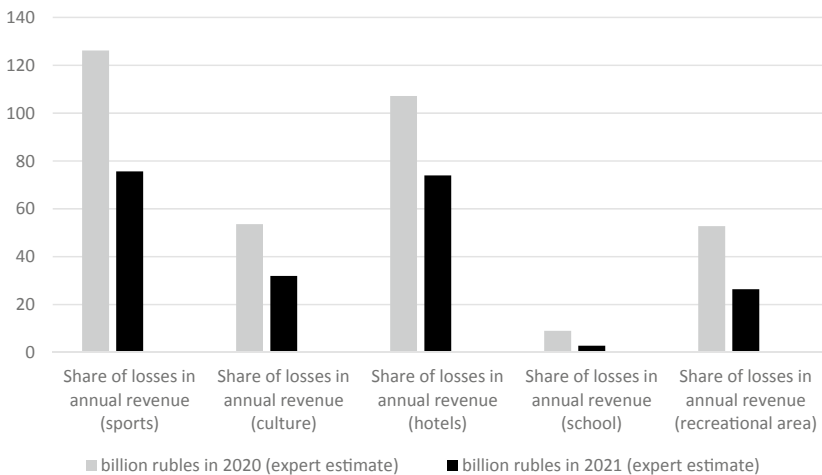


Fig. 6.1 Indicators of revenue losses of social infrastructure companies in 2020–2021 (*Source* Created by author on the basis of InfraOne Research [2021] and SPARK system [2021])

in force that occupancy should not exceed 25% of the total capacity.¹ In January 2021, Moscow was allowed to increase occupancy to 50%. Other large cities of the Russian Federation used restrictions differently, since the authorities of Novosibirsk and Yekaterinburg limited the occupancy of halls and cultural events to 50% of the threshold initially.

St. Petersburg closed the possibility of visiting all museums and other infrastructure facilities only for the period from January 1 to 11, 2021. According to a survey of specialists in Moscow, fitness centers say that the industry not only lost in revenue, but also had to completely restructure the provision of services. These changes, according to experts in this area, led to the fact that the industry, at least until 2023, will not be able to show curious indicators in revenue (Osipov, 2020; Salikhov, 2020).

However, the paid medical services industry, despite the indicators in revenue loss according to the SPARK system in the first and second quarter of 2020, shows steady growth, and according to analysts, according to the results of 2021, it will show results higher than those before the pandemic period. So, objects of paid infrastructure, which lost about 20% during the spring restrictions of 2020, by the end of the year reduced the loss indicators to 10–15%, and in some areas, including in the field of diagnosis and provision of stationary services, showed a steady increase in financial indicators, which was associated with an increase in the cost of services from 30 to 100%. Analysts say that hospitals could also receive additional revenue due to the need to conduct a large number of COVID-19 tests (the volume of this market is approximately 12–14 billion rubles per month) (InfraOne Research, 2021). The least affected in 2020 was the field of preschool, school and university education, including paid education. Despite losses of about 20 billion rubles (InfraOne Research, 2021), this area is not a strong concern that even with the increase in the cost of paid school and university tuition, it is not possible to take advantage of the alternative due to restrictions on movement.

¹ Decree of the Mayor «On amending the Decree of the Mayor of Moscow from June 8, 2020 No. 68-UM», 10. 2020 No. 107-UM.

DISCUSSION

The Government of the Russian Federation, aware of the need to support both infrastructure companies and social infrastructure, within the framework of the National Action Plan² takes certain address steps.

The May Resolutions of the Government introduced a mechanism for preferential lending to the most affected areas of activity. Thus, borrowed bank loans under preferential conditions will be able to receive the most affected industries and socially oriented non-profit organizations. Except for a preferential increased rate of 2% on borrowed obligations. Companies that have fulfilled a number of mandatory conditions, including maintaining 90% of jobs, will not repay loans at all, the state will do this for them, while maintaining jobs at 80% of the indicators of the beginning of the pandemic period—only 50% of loans and interest on them will have to be repaid. According to the Ministry of Finance for the summer of 2020, 5.7 billion rubles will be allocated for the falling revenues of the banking sector from preferential lending. The effect of this measure will be observed only in the balance sheets of companies for 2021, since the write-off of loans provided began only in 2021.

The government provided for measures related to the extension of tax payments for small and medium-sized businesses.³ The Government has provided for measures never before applied to the fiscal burden related:

- extension of taxes for small and medium-sized businesses.
- reducing the tax burden within the framework of employers' contributions from the accrued wage fund to social and pension funds;
- prohibition of on-site tax inspections of commercial and socially oriented structures;
- prohibition on cancellation of tax debt from accounts of companies with licenses for medical and educational activities;

² The Government of Russian Federation. 2020. "Meeting of the Government of the Russian Federation. 'A national plan of action for the restoration of employment and income, economic growth and long-term structural changes in the economy'. Protocol of the Government of the Russian Federation No. 36, Moscow, October 2020". <https://www.garant.ru/products/ipo/prime/doc/74678576/#review>.

³ Decree of the Government of the Russian Federation "On Approval of the Rules for Granting Subsidies from the Federal Budget to Russian Credit Organizations for Reimbursement of Lost Income on Loans Issued in 2020 to Legal Entities and Individual Entrepreneurs for the Resumption of Activity" dated May 16, 2020 N 696.

- increased deadlines for sending tax claims up to 6 months.

The moratorium, introduced in the spring of 2020 on the bankruptcy of enterprises from the most affected areas of the economy, was extended for 6 months until January 2021.

So, from January 2021, “Rules for the provision of subsidies from the federal budget to Russian banks for the reimbursement of lost income on loans issued for the implementation of investment projects in the field of social services of the population”.⁴

The main purpose of these rules is to provide subsidies that will compensate for the losses of banks from lending to social sector companies in the framework of their investment projects. The rules provide the possibility of compensating banks for so-called “lost income” as part of their participation in the provision of preferential loans to socially significant investment projects. The benefit is granted for the difference between the rate calculated excluding the subsidy and the key rate of the Bank of Russia (Bank of Russia, 2021). The rules introduce restrictions on the timing of the provision of credit funds, limit the goals of obtaining a loan and also contain requirements not only for the credit institution itself, but also for the credit agreement signed as part of the project under implementation.

An analysis of the rules showed that the previous subsidy mechanisms made it possible to receive a subsidy directly to the budgets of the constituent entities of the Russian Federation. The subsidy was provided for reimbursement of interest costs in the framework of loans received by legal entities in commercial banks and the state corporation “VEB.RF” in the implementation of investment programs in the field of social services. Subsidies were provided to co-finance expenses of the constituent entities of the Russian Federation related to reimbursement of expenses incurred under all forms of public–private partnership, the preferential rate cannot exceed 4% per annum.

⁴ The Government of Russian Federation. 2020. “Decree of the Government of the Russian Federation ‘On Approval of the Rules for Granting Subsidies from the Federal Budget to Russian Credit Organizations for Reimbursement of Lost Income on Loans for the Implementation of Investment Projects in the Field of Social Services of the Population and Recognition of Certain Provisions of Certain Acts of the Government of the Russian Federation as Invalid’, Moscow, December 31, 2020, N 2390”.

The main change in the new mechanism for subsidizing loans in projects related to social services of the population is the change in the targeted recipient of the subsidy, when a financing bank is subsidized instead of a subject of the Russian Federation. Thus, not only the process of issuing a subsidy was simplified (a number of regional acts had to be adopted under the old mechanism), but also the approach was changed, in which the final beneficiary wins, who has the right to apply for this measure of state support even if there is no payment from a state partner, within the framework of the project being implemented. In addition, both the time previously spent on the grant and some reduction in the transaction costs of all stakeholders are positive.

The place allocated to financing banks that will provide concessional financing can be considered controversial. They will be forced to control not only the project implementation process, but also the activities of the project company, which is a party to the public–private partnership agreement in the framework of its social services.

At the same time, as one market expert notes: “the rules do not imply a mechanism for protecting a private partner in the event of a reduction in the size or termination of the payment of a subsidy to a financing bank” (Kachkin, 2021). A private partner should provide for ways to reduce this risk when drawing up an agreement within the framework of a public–private partnership project, including a description of the so-called “special circumstance” associated with the termination or change in the terms of granting a subsidy to a financing bank. “Risk reallocation can be achieved through the inclusion in the agreement of a condition for compensation by a public party of expenses to a private party as part of the payment of interest on borrowed investments” (Kachkin, 2021). It is also necessary to remember that it is possible to receive a subsidy only within the framework of loan agreements concluded for a period of 10 years, and the preferential rate cannot exceed 4% per annum.

CONCLUSION

The world community, and the Russian Federation in particular, does not fully understand the social problems and depth of economic losses caused by the pandemic. The Post-COVID period will be characterized by increasing social tensions, a series of bankruptcy of both individuals and legal entities associated with the restrictions imposed by all countries during the pandemic.

The importance of supporting and even more productive interaction between the state and business is confirmed by changes in regulatory and legislative acts of the Russian Federation aimed at supporting socially significant areas of the economy.

Funds provided as part of concessional lending in fact cost at least 3–4% per annum.

Restrictions imposed on field inspections of commercial structures of various kinds by state bodies can show the opposite effect associated with an increase in the inspection plan for 2021–2022, which can lead to business losses associated with administrative fines.

A significant factor is that support was not provided to all sectors of the economy or to small and medium-sized businesses, but only to those whom the Government considered the most affected. In fact, it turned out that big business and state corporations received the greatest support from the state (Osipov, 2021).

Regarding the moratorium on bankruptcy, all analysts and specialists are waiting for the avalanche-like effect of bankruptcy, especially small and medium-sized businesses. The situation is complicated by the fact that under the moratorium in force since the spring of 2020, the law (Federal Law 127) did not prohibit suing for debt collection. All this aggravated the depth of the crisis, influenced payment indicators in general, and also increased the burden on the judicial system of the Russian Federation (Tsareva, 2020; Yankovskaya et al. 2020). Thus, according to data from various sources, the timing of the consideration of cases in the courts increased by an average of 6–8 months.

Of course, changing the rules for the provision of subsidies in the framework of investment projects in the social sphere should change the level of investment attractiveness of projects and attract private investors to such an important area for the state to support the most vulnerable segments of the population in the future, although so far there is no necessary effect.

The results of 2020, which are already recorded by statistics, indicate that all the measures taken did not give the expected effect. According to the Federal Tax Service of Russia, the number of commercial organizations in the Russian Federation decreased by more than 25%, if we talk about closure statistics related to COVID 2019, then the figure for reductions is about 10% (calculation was made by clearing statistics data from companies closed due to the usual actions of the supervisory authority in the form of deleting data on companies not operating for more than three

years from the register, etc.). The number of individual entrepreneurs decreased for 8 months of 2020 by 109 thousand people (4%), for the whole of 2020 a reduction of about 9% is recorded (Federal Tax Service 2021).

Thus, the actions that the Government of the Russian Federation needs to take, in addition to those already taken, to change those economic consequences of both social and economic nature related to the consequences of COVID 2019 are:

- complete elimination of taxes deducted by employers from employee salaries to social and pension funds in the amount of up to 50,000 rubles per month, provided that the company employs no more than 10 people, and the abolition of taxes deducted by employers from employee salaries to social and pension funds in the amount of up to 100,000 rubles per month, provided that the company employs no more than 10 people, four of whom are disabled, and the salary fund is distributed evenly to all employees with a deviation of not more than 20% to the management;
- reduction of reporting forms to 5 per year (currently, for example, a non-profit organization submits more than 50 reports per year to various government bodies) handed over by commercial and non-profit organizations to various supervisory bodies, provided that the company is included in the register of small and medium-sized enterprises and/or the company's turnover does not exceed 100 million rubles per year, and the number of employees does not exceed 10 people;
- complete abolition of personal income tax from wages not exceeding the minimum subsistence level of the region.
- introduction of a regression tax scale on personal income, only if the previous paragraph is fulfilled.

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