

## Public-Private Partnerships in the Social Sphere of the Arctic Territories of the USA and Canada

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*The article attempts to analyze the features of the institutional environment for the development of public-private partnerships and practical experience in implementing projects on the basis of public-private partnerships in the social sphere of the Arctic territories of the two countries of North America — the United States and Canada. The theoretical foundations, trends in the development of public-private partnerships at the national and regional levels, the institutional framework for regulating this sphere, as well as practical experience in applying the mechanism of public-private partnerships in the Arctic territories of the USA and Canada are investigated. The practical significance of the study lies in the possibility of applying the obtained results in the practice of initiating and implementing projects on the basis of public-private partnership in the development of the social infrastructure of the Arctic territories, as an instrument for achieving sustainable development of local communities and self-development of the socio-economic territorial systems of the Arctic. The review of practical experience in the implementation of infrastructure projects in the social sphere of the Arctic regions of the USA and Canada on the basis of public-private partnerships and its potentially high impact on the development of socially vulnerable territories, which, in fact, include the entire world Arctic space, presents the conclusion about the possible application of this practice in the regions of the Russian Arctic.*

**Keywords:** public-private partnerships, social sphere, project, USA, Canada, Arctic.

### Introduction

The world's Arctic territories, which play an important role in today's geopolitical and global natural processes and are of critical strategic importance, require specific government regulations that take into account both environmental and social vulnerabilities [1]. Economic, environmental, and socio-demographic processes in the Arctic are largely similar, regardless of the state in which they take place. As a sparsely populated periphery that includes the United States, Canada, Russia, and the Scandinavian countries, the world's Arctic faces challenges that require the sustainable development of Arctic communities [2; 3]. This, in turn, implies not only the actions of national governments in the socio-economic development of these territories, but also the attraction of private capital to invest in social infrastructure. The development of cooperation and coordination between government, the private sector, other organisations and institutions through public-private partnerships (PPPs) aimed at attracting more resources for sustainable, affordable and quality social infrastructure, as a result, contributes to stability and accelerates economic growth, especially in regions where it is effective.

For Arctic regions whose economic growth is linked to the development of natural resources and the need to strengthen their population, the development of social infrastructure is vital. The search for non-governmental sources of financing for infrastructure projects, including private social investments under public-private partnerships, is becoming increasingly important. From this perspective, the experience of public-private partnership in the Arctic regions of the United States and Canada is becoming very relevant for Russia, as it makes it possible to apply it in the practice of establishing the institution of PPP as an instrument of social sphere development in the Arctic regions of our country.

Originally seen in the United States and Canada as an innovative way to implement infrastructure projects, public-private partnerships have developed in the territories of these two North American countries because the public sector, with limited resources, has sought infrastructure development that would stimulate economic growth as well, and the private sector has been looking for productive investments but with greater security of revenue. In this context, PPPs have become seen as an effective way to ensure that both parties maximize their benefits: the public sector's desire for the common good and the private sector's desire for efficient use and savings [4].

PPP projects have proven to be effective in many countries, but the scale of replication at the international level varies greatly. In Canada, the establishment of public-private partnerships dates back to the early 1990s. In Canada, public-private partnerships were established in the early 1990s [5], when the first PPP projects were implemented in the areas of education (building schools in Nova Scotia and New Brunswick), transport infrastructure

(Highway 407 and the Confederation Bridge), health (Royal Ottawa Hospital and Brampton Civil Hospital in Ontario). Later on, public-private partnerships in Canada have developed significantly, including a shift in the focus of this institution towards greater public interest and socially relevant needs.

In the USA, public-private partnership projects were not as widespread until the early 2010s. This was largely due to the well-developed municipal bond market, which provided local governments with the resources to develop public infrastructure [6]. However, the global financial crisis of 2007—2008 significantly reduced the bond market's ability to finance such initiatives. Moreover, this factor was one of the main factors that influenced the development of the PPP institution in the USA. The main sphere of application of the PPP mechanism in this country initially was transport infrastructure, but over time, under the terms of public-private partnership, projects in the field of development of social infrastructure facilities have been increasingly implemented.

In both the USA and Canada, however, public-private partnerships have not been considered an exclusive source of funding. Rather, such projects were viewed together as an opportunity to obtain additional funding and to improve the performance of public infrastructure.

Of course, the implementation of PPP projects does not only have advantages and benefits. There are also some general potential problems that may arise during the implementation of a project, such as the possible loss of public control and future public revenue, the risk of bankruptcy, etc. However, social infrastructure projects are relatively risky but highly profitable investments that, combined with complex agreements and contracts providing guarantees for both parties, make public-private partnerships an effective mechanism for their implementation and financing.

### **Theory and methodology of the research**

There is a lack of uniformity in the global scientific discourse on public-private partnership research, and even the principles of the term public-private partnership are defined differently not only at the national level, but also in different sectors and areas [7], covering many types of contracts and interactions between the state and private parties [8]. As PPPs have evolved over time, they have taken a variety of forms and include a significant number of examples of the practical implementation of public-private partnerships [9], showing, according to Siemiatycki M., *"variability in the spectrum from greater public sector responsibility to greater private sector responsibility"* [10]. Public-private partnerships are understood as both a type of public policy and a management tool, as a concrete form of project implementation and as a broad socio-economic phenomenon [11].

Modern approaches to considering and defining public-private partnerships are often based on various theoretical concepts and scientific disciplines. Thus, the theoretical study of PPPs presented in paper [12] includes the study of this area through the theory of contracts. Williamson O. examines public-private partnerships through the prism of the economics of transaction costs [13]. Casady C.B. et al. examine the "new governance" approach and the applications of institutional theory to PPPs [14]. The studies presented in the works [15; 16; 17] are aimed at considering public administration through cooperation models, including public-private partnerships. There are many works in the scientific literature devoted to the study of various practical aspects of public-private partnerships: the threats, risks and success factors of PPP projects [18; 19], issues of financing and economic efficiency [20; 21] etc. are studied.

There is also deep scientific interest in researching the development of public-private partnerships in individual countries and comparing the experience of different countries (see for example [22; 23; 24], etc.). There is also a significant scientific background in the area of research on the establishment and experience of PPP projects in the USA and Canada (see e.g. publications [4; 25; 26; 27]), but there are not many works on the development of this institution in the Arctic territories of North American countries in the global discourse and there are no such publications in the Russian scientific literature.

Agreeing with A. Girth that *"more and more governments are seeking PPPs in order to obtain socio-economic benefits from infrastructure development"* [28], as well as taking into account the socio-economic and natural and geographical characteristics of the global Arctic, this article looks at the development of public-private partnerships in the Arctic regions of the United States and Canada, both in terms of the increased role of PPPs in public administration and in terms of the need to ensure the sustainable development of Arctic communities. All the more so as one of the first supporters of public-private partnerships, Osborne S.P., points out, *"such partnerships have become seen as a cost-effective and efficient mechanism for implementing public policy, as bringing significant benefits, especially in terms of developing socially vulnerable communities"* [29].

The study of practical experience in implementing PPP projects in the Arctic territories of these North American countries is important for the regions of the Russian Arctic, where public-private partnerships in the

social sphere have only recently started to develop. A number of PPP projects aimed at developing social infrastructure are already underway in the Arctic region of the Russian Federation, and although this is not a priority area in the practice of PPPs in the Arctic, there is also experience in implementing such projects in education, culture, leisure and tourism [30]. At the same time, public-private partnerships in the Russian Arctic are characterized by two circumstances: firstly, in most regions of the Arctic zone of the Russian Federation, no social PPP projects have been implemented so far, and secondly, in health care, which is one of the most problematic areas of development in the Arctic regions of Russia, not a single PPP project has been implemented so far [31]. With this in mind, studies of foreign experience in implementing PPPs in the social sphere of Arctic regions seem even more relevant, especially since on a global scale public-private partnerships are already one of the main mechanisms for private sector participation in infrastructure development [32].

The information base for the study was provided by the official websites of the US and Canadian authorities in the Arctic regions of Alaska (USA), Nunavut, Northwest Territories and Yukon (Canada), reports and reports on the development of PPPs published by government services and non-governmental organizations involved in public-private partnership activities in North American countries.

### Results and discussion the of the research

As mentioned above, the establishment and development of public-private partnerships in the North American countries has been quite uneven, primarily due to international differences in the institutional organisation of PPP regulation and the use of various instruments of government policy in this area.

#### *Development of public-private partnerships in the USA*

Public-private partnerships in the USA began to develop in the 1990s, when the first transport projects SR-91, Dulles Greenway and Camino Colombia were implemented, and during a long period of PPPs in this country, the focus was on transport infrastructure development. However, now transport is not the only sector that uses a public-private partnership mechanism. There are many examples of innovative solutions used by states and municipalities to develop the social sphere and infrastructure facilities as part of public-private partnership projects.

To encourage private investment in infrastructure, various financial instruments are being implemented in the USA, such as: Private Bonds (PAB), Qualified Public Infrastructure Bonds (QPIB), TIFIA loans, which allow for the expansion of PPP areas, reducing borrowing costs and raising new capital<sup>1</sup>.

To support the formation and development of public-private partnerships at the federal, regional and local levels, and to exchange innovative ideas in this area, the National Council for PPP (National Council for PPP), a non-profit organisation that brings together public and private entities, was established in 1985 in the USA. The Council's main areas of activity were information support, simplification of communications between the public and private sector on PPP implementation, holding educational events and trainings, and international dialogue on development of this sphere. Other organisations established in the early stages of the PPP institute's formation are US organisations, whose activities are aimed at stimulating the development of this area, are the Federal Highway Administration and the US Secretary General's Office of Global Partnerships (Secretary's Office of Global Partnerships).

Regional infrastructure issues are handled by organisations such as the Western High Speed Rail Alliance and WCX, while the National Association of Governors coordinates urban planning and infrastructure investments between the states. In 2018, the U.S. government decided to create a new U.S. financial agency, the International Development Finance Corporation (IDFC), which consolidates two existing structures — the Government Agency Overseas Private Investment Corporation (OPIC) and the Development Credit Authority, part of the U.S. Agency for International Development (USAID)<sup>2</sup>.

However, despite the relatively large number of different structures involved in the promotion and direct implementation of PPPs in the USA, the development of this institution is not very intensive. One of the factors hindering the attraction of investment in infrastructure on the basis of public-private partnerships is the lack of a comprehensive legislative framework at both the federal and state levels. In the USA, there is no general legislation

<sup>1</sup> Chappatta B. Obama Proposes New Muni Bonds for Public-Private Investments. *Bloomberg News*, Jan 16, 2015. Available at: <http://www.bloomberg.com/news/articles/2015-01-16/obama-proposes-new-muni-bonds-for-public-private-infrastructure>. (Accessed 24.05.2020).

<sup>2</sup> OPIC, USAID, and Proposed Development Finance Reorganization. *Congressional Research Service website*, Apr 27, 2018. Available at: <https://fas.org/sgp/crs/row/R45180.pdf> (Accessed 02.06.2020).

regulating the sphere of PPPs<sup>1</sup> — each state independently sets the requirements, procedure, powers of public authorities and other important components of public-private partnership implementation. In general, the U.S. legal system is not too “strict” in regulating public-private partnership processes; rather, state legislation provides a “framework” within which regional and local authorities can perform government functions to develop public infrastructure, while drawing on the experience and resources of the private sector. To this day, however, only 38 states have such legislation in place.

*Institutional structure and practice of implementing PPP projects in Alaska*

In 2006, the Alaska Statutes and Constitution<sup>2</sup> (AS), §§ 19.75.011-990, was incorporated into the Alaska Charter, which is the only state with Arctic territories, but only applies to individual PPP projects in transport infrastructure. In 2014, the Law on the Creation of an Arctic Infrastructure Development Program and Fund at the Alaska Industrial Development and Export Administration (AIDEA) was passed, expanding AIDEA’s ability to develop PPPs in infrastructure projects (AK SB 140)<sup>3</sup>. However, there is no legislation governing public-private partnership activities in this state.

Alaska has its own special administrative structures to promote public-private partnerships in the state, to attract this mechanism for infrastructure investments, and to permit credit, grant and financing programmes through state-appointed organisations. The state administration, in accordance with the Alaska Administrative Code<sup>4</sup> (AAC), §§ 95.020, 95.030, 95.040), is empowered to authorize PPP projects, including those in the market for various design, operation, maintenance, etc. AIDEA, in accordance with the Alaska Charter (AS, §§ 44.88.010-120), finances local businesses (to expand the economy and provide jobs) and works with private partners for investment, lending and capital import. In addition, the state has established the Alaska Partnership for Infrastructure Protection (APIP), which provides integration between the public and private sectors.

In the area of PPP development, there is also the Alaska Permanent Fund Corporation (APFC), a public management company established in 1980 by state legislatures as a quasi-independent public entity to manage the assets of the Alaska Permanent Fund. APFC also manages other public investment funds, including the Alaska Mental Health Trust Authority (AMHTA), which specializes in financing projects and programs that promote the treatment of mental illness.

The scope of the Alaska PPP mechanism in the social infrastructure industry is extensive. In 2010, Alaska launched a public-private university initiative in the areas of fisheries, seafood and shipping, aimed at implementing educational programs for school and professional training for the maritime industry. Later on the PPP project was joined by the state's main vocational education institutions — University of Alaska Anchorage (UAA) and University of Southeast Alaska Ketchikan (UAS), industry representatives, including “Vigor”, Alaska's largest shipbuilding company. Later on, the project also included a partnership between the National Oceanic and Atmospheric Administration (NOAA) and the University of Alaska Fairbanks (UAF) under an Alaska Sea Grant<sup>5</sup>.

In 2013, a PPP project “Student Life: Transforming the UAF Experience” was launched to build and operate a new Wood Center campus at the University of Alaska Fairbanks. The contract between the National Development Council (public partner) and NANA Management Services (private partner) is for 30 years, with a total investment of \$28 million<sup>6</sup>.

In 2018, under a public-private partnership between the Municipality of Anchorage, the Cook Intel Housing Authority, Weidner Apartment Homes, the Rasmuson Foundation, Alaska First National Bank and a number of other local foundations, businesses and public organisations, the “Path to Independence” project was launched, providing homeless people with housing, financial assistance and employment. Initial funding for the project

<sup>1</sup> In 2014 The American Institute of architects (AIA) has developed the document “Public-private partnerships for public institutions — Legislative Resource Guide”, which is a recommendation for States. This guide provides examples of legislative language, the main elements that can be included in state PPP laws.

<sup>2</sup> Alaska Statutes and Constitution. *FindLaw website*. Available at: <http://www.codes.findlaw.com/ak/>. (Accessed 04.06.2020).

<sup>3</sup> SB 140 An Act creating the Arctic Infrastructure development program and fund in the Alaska Industrial Development and Export Authority; and relating to dividends from the Alaska Industrial Development and Export Authority. *LegiScan website*. Available at: <http://www.legiscan.com/AK/text/SB140/2013>. (Accessed 04.06.2020).

<sup>4</sup> Alaska Administrative Code. *Casetext website*. Available at: <http://www.casetext.com/regulation/alaska-administrative-code>. (Accessed 04.06.2020).

<sup>5</sup> Public-private partnership at university spurs Alaska’s maritime workforce training. *University of Alaska Fairbanks website*, May 3, 2018. Available at: <https://news.uaf.edu/public-private-partnership-at-university-spurs-alaskas-maritime-workforce-training/>. (Accessed 09.06.2020).

<sup>6</sup> UAF FY16 Capital Budget. Request Summary and Narrative. *University of Alaska Fairbanks website*, Aug, 2014. Available at: <https://www.uaf.edu/finserv/omb/budget-planning/fy16/UAF-FY16-Capital-Budget-Request-Narratives.pdf>. (Accessed 09.06.2020).

amounted to \$650,000 and the total number of public and private sector participants was over 20<sup>1</sup>. It is noteworthy that in 2019 this project was awarded the Strong Communities Award by the Federal Mortgage Bank of De Moines (FHLB Des Moines). The award of \$15,000 received by Alaska's First National Bank was channelled into a PPP project that is being implemented<sup>2</sup>.

In May 2020, the Alaska Department of Mental Health (AMHTA) invested \$500,000 in the "Home for Good Anchorage" PPP project, which has been implemented since 2019 by the United Way of Anchorage in partnership with numerous private and public organizations<sup>3</sup>. In June 2020, the United Way of Anchorage invested \$500,000 in the "Home for Good Anchorage" project, which has been implemented since 2019 in partnership with numerous private and public organizations. AMHTA awarded 62 grants totalling over \$1.2 million to local partner organisations that could provide services to AMHTA beneficiaries affected by COVID-19. The private sector also provided about \$1.5 million for this PPP project<sup>4</sup>.

Another example of PPP projects aimed at social development is the creation of a nationwide wireless broadband network FirstNet in all states, including Alaska. The Concession Agreement concluded in 2017 between the Rapid Response Network Agency (FRNA), representing the government in this PPP project, and the mobile operator AT&T, with a total capital cost of approximately \$45 billion, includes the creation, operation and maintenance of a special network for all emergency services (medical, police, fire)<sup>5</sup>.

#### *Peculiarities of establishing and institutional environment for public-private partnership in Canada*

Despite the considerable experience in implementing PPP projects, the USA lags behind other developed countries, which have been using it for a longer period of time and more successfully [33]. Canada is one of these countries, where 290 projects have already been implemented through PPPs and 6 times more private investments have been raised in infrastructure (by \$1 GDP) than in the USA [32] — the total volume of investments for the whole period of PPP projects implementation in Canada was about \$140 billion<sup>6</sup>.

In 1993, the country established the Canadian Council for Public-Private Partnerships (CCPPP) as a national non-profit organisation with a large public and private sector membership. The Council, which aims to ensure innovative and sustainable approaches to the development of socially important infrastructure, aims to enhance cooperation between all levels of government, indigenous communities and the private sector by promoting public-private partnerships, encouraging dialogue between different stakeholders, introducing best practices in PPPs, and educating the public about the economic and social benefits of public-private partnerships<sup>7</sup>.

Since 2009, the federal corporation Crown — PPP Canada Inc. has been operating in Canada. (P3 Canada), established by the government to develop the national PPP market. P3 Canada expanded best practice in PPPs, provided financial support to projects and assistance to provinces and municipalities in the implementation of large capital PPP projects<sup>8</sup>, analysis and evaluation of the acceptability of a PPP project as compared to the traditional government model [34], but in 2018, the structure was closed as it met the government's objectives.

In 2016, Canada Infrastructure Bank, a federal Crown Corporation, was established to provide loans for PPP projects in public infrastructure development at a reduced rate<sup>9</sup>. The Canadian PPP Projects Fund (P3 Canada Fund

<sup>1</sup> Public-private partnership to provide housing stabilization in "Path to Independence". *Municipality of Anchorage website*, Apr 18, 2018. Available at: <https://www.muni.org/Departments/Mayor/PressReleases/Pages/Public-privatepartnershiptoprovidehousingstabilizationinPathtoIndependence.aspx> (Accessed 10.06.2020).

<sup>2</sup> Path to Independence wins Strong Communities Award with help from First National. *First National Bank Alaska website*, Aug 12, 2019. Available at: <http://www.fnbalaska.com/about-us/about-first-national/press-releases/path-independence-wins-strong-communities-award-help-first-national> (Accessed 10.06.2020).

<sup>3</sup> Alaska Mental Health Trust Authority directs \$500,000 to Anchorage Permanent Supportive Housing Initiative. *Alaska Mental Health Trust Authority website*, Jun 4, 2020. Available at: <http://alaskamentalhealthtrust.org/news/alaska-mental-health-trust-authority-directs-500000-to-anchorage-permanent-supportive-housing-initiative/> (Accessed 16.06.2020).

<sup>4</sup> Alaska Mental Health Trust Authority provides more than \$1.2m in COVID-19 Response Grants to Partner Organizations across Alaska. *Alaska Mental Health Trust Authority website*, Jun 10, 2020. Available at: <http://alaskamentalhealthtrust.org/news/alaska-mental-health-trust-authority-provides-more-than-1-2m-in-covid-19-response-grants-to-partner-organizations-across-alaska/>. (Accessed 16.06.2020).

<sup>5</sup> FirstNet. An official website of the United States government. Available at: <https://www.firstnet.gov/>. (Accessed 09.06.2020).

<sup>6</sup> Spectrum website. Available at: <https://www.p3spectrum.ca> (Accessed 10.06.2020).

<sup>7</sup> Canadian Council for Public-Private Partnerships website. Available at: <https://www.pppcouncil.ca>. (Accessed 12.06.2020)

<sup>8</sup> Public-Private Partnerships: A Guide for Municipalities. Available at: [www.p3canada.ca/en/about-p3s/p3-resource-library/public-private-partnerships-a-guide-for-municipalities/](http://www.p3canada.ca/en/about-p3s/p3-resource-library/public-private-partnerships-a-guide-for-municipalities/) (Accessed 13.06.2020).

<sup>9</sup> Canada Infrastructure Bank website. Available at: <http://www.canadainfrastructurebank.ca> (Accessed 08.06.2020).

Projects) was also established to finance infrastructure projects (federal, regional, local) aimed at economic growth or sustainable community development<sup>1</sup>.

In some provinces, regional governments have established their own specialised departments or agencies, but there are no such structures in Canada's Arctic regions of Nunavut, Northwest Territories and Yukon. Although these regions are not as developed as the more southern provinces of Canada, Nunavut and the Northwest Territories have experience with PPP projects and are increasingly considering the use of PPPs in social infrastructure initiatives. The only exception to this is the Yukon, where the provincial government has favoured the traditional model for social infrastructure projects of public importance. The Arctic north of Quebec also lacks experience in public-private partnerships, but the provincial government plans to expand the practice of PPP projects to these territories and invest around \$80 billion over the next 20-25 years<sup>2</sup>.

The scope of legal regulation of PPP development in Canada is quite broad and includes federal and regional (and in some provinces and municipalities) legislation, various guidelines and regulations developed by governmental and non-governmental bodies<sup>3</sup>. At the federal level, the Public Works and Public Services Act (S.C. 1996, c. 16)<sup>4</sup>, was passed in 1996, the Strategic Infrastructure Fund of Canada Act (S.C. 2002, c.9, s.47)<sup>5</sup> was passed in 2002, the Guidelines for Determining and Examining PPP Projects for Value for Money in 2011<sup>6</sup>, the Public Works and Public Services Supply Handbook of Canada<sup>7</sup> and the Public Contract Regulations (SOR/87-402)<sup>8</sup>, etc., regulating various aspects of public-private partnership activities, were adopted in 2017.

Provinces in Canada have developed policies and guidelines used in the evaluation of PPP projects and although such documents are not mandatory, they contain best practices and standards and serve as information banks for various stakeholders involved in infrastructure PPP projects. For example, in May 2011, the Government of the North-West Territories approved by law the Public Private Partnership Policy<sup>9</sup>, which sets out the basic principles and conditions for implementing PPP projects. In 2013, a similar policy was approved in Nunavut<sup>10</sup>. Specific provisions relating to the regulation and development of public-private partnerships are also included in the Nunavut and North West Territories Charter and are contained in several other provincial regulations<sup>11</sup>.

In recent years, some municipalities have also issued policies to ensure transparency and consistency in the implementation of public-private partnerships in local communities. This level of participation in the PPP market is increasing — municipalities in Canada are increasingly interested in PPPs as an alternative form of financing as a growing population and aging infrastructure require renewed resources and the development of social sectors [35].

One of the sectors in which public-private partnerships are in principle seen as the preferred mechanism for ensuring the modernization, construction, financing, maintenance (etc.) of infrastructure is the healthcare system — this is where one third of all PPP projects in Canada (102 out of 290) have been implemented. Moreover, although the implementation of PPP projects in health care is often criticized, their impact on the economic and

<sup>1</sup> Infrastructure Canada website. Available at: <http://www.infrastructure.gc.ca>. (Accessed 08.06.2020).

<sup>2</sup> Arctic Business Opportunities in Canada. *Denmark in Canada website*. Available at: <http://canada.um.dk/en/the-trade-council/canada-as-market/current-growth-markets/arctic-business-opportunities/>. (Accessed 10.06.2020).

<sup>3</sup> For example, the government of Canada's center for public-private partnership expertise PPP Canada has developed a number of such documents, including "Defining capacity: a guide for Federal departments and agencies", "P3 business case development Guide", "Public-private partnerships: guidelines for municipalities", "guidelines for project estimates for public-private partnerships".

<sup>4</sup> Department of Public Works and Government Services Act (S.C. 1996, c. 16). *Government of Canada website*. Available at: <http://laws.justice.gc.ca/eng/acts/P-38.2/section-6.html>. (Accessed 03.06.2020).

<sup>5</sup> Canada Strategic Infrastructure Fund Act (S.C. 2002, c. 9, s. 47). *Government of Canada website*. Available at: <https://laws-lois.justice.gc.ca/eng/acts/c-10.3/fultext.html>. (Accessed 06.06.2020)

<sup>6</sup> Guideline to Implementing Budget 2011 Direction on Public-Private Partnerships. *Government of Canada website*. Available at: <http://www.tbs-sct.gc.ca/pol/doc-eng.aspx?id=25576>. (Accessed 06.06.2020).

<sup>7</sup> Supply Manual of the Public Works and Government Services Canada. *Government of Canada website*. Available at: <https://buyandsell.gc.ca/policy-and-guidelines/Supply-Manual>. (Accessed 06.06.2020).

<sup>8</sup> Government Contracts Regulations (SOR/87-402). *Government of Canada website*. Available at: <http://laws-lois.justice.gc.ca/eng/regulations/SOR-87-402/>. (Accessed 06.06.2020).

<sup>9</sup> 15.02. Public-Private Partnership Policy of the Northwest Territories. *Government of Northwest Territories website*. Available at: <https://www.eia.gov.nt.ca/sites/eia/files/content/15.02-public-private-partnership-policy.pdf>. (Accessed 10.06.2020).

<sup>10</sup> Government of Nunavut Public-Private Partnership Policy. *Government of Nunavut website*. Available at: <https://www.gov.nu.ca/sites/default/files/files/Public-private%20Partnership%20Policy.pdf>. (Accessed 10.06.2020).

<sup>11</sup> Statutes of Nunavut (S.Nu.) and the Northwest territories (R.S.N.W.T.1988), the annual volumes of the Charter of the NWT (S.N.W.T.), laws, regulations, partnership rules, etc. are available on the official websites of the justice departments of these provinces.

social development of communities is generally seen as positive [36], especially in the remote North Arctic region of the country.

#### *Experience in implementing PPP projects in Canadian Arctic provinces*

In Yellowknife (Northwest Territories), a PPP project was implemented to design, construct and modernise the Stanton Territorial Hospital, which provides emergency, outpatient, inpatient and highly specialised medical care not only to residents of the NWT, but also to the population of Kitikmeot District of Nunavut. The project included several stages of construction and modernisation of the hospital, ensuring uninterrupted operation of the departments and medical personnel, and doubled the size of this infrastructure facility as a result of this reconstruction. The new Stanton Territorial Hospital was commissioned in May 2019. Total investments amounted to approximately \$434 million, and PPP project partners were the Government of North-West Territories (state side) and Boreal Health Partnership (private side) consortium, which includes several private partners — Bird Capital Limited, Bird Construction, Carillion Private Finance Limited, CIBC World Markets, Clark Builders, Kasian Architecture Interior Design & Planning Ltd., HOCHTIEF PPP Solutions GmbH<sup>1</sup>. Dexterra provides further 30 years of service to the hospital under the terms of a PPP agreement<sup>2</sup>.

In order to ensure transport accessibility in Nunavut (which is characterized by a de facto absence of a road network) and to improve community links within the region, to promote sustainable development of local communities, a PPP project to modernise the Iqaluit Airport was launched in 2012, involving the construction, financing and operation of this infrastructure facility. Government financial support for the project amounted to more than \$77 million and total investments exceeded \$376 million. PPP Canada (public partner) and several private partners — Bouygues Building Canada, Colas Canada Inc., InfraRed Capital Partners Limited, Kudlik Construction Ltd., Concept Infrastructure — were partners of the PPP project. All construction and modernization works were completed in 2017, and further implementation of the PPP project has already involved the operation and maintenance of the airport for 30 years by the private company Air Infrastructure Partners (AIP)<sup>3</sup>. It should be noted that the PPP project is being implemented in compliance with the Nunavut Land Claim Agreement (NLCA), including the AIP's obligation to provide a variety of educational and training opportunities to Inuit community members.

In 2010, due to the increasing problem of limited access for people living in remote northern and arctic regions of Canada, the Government of Northwest Territories initiated a PPP project to build a high-speed fiber-optic telecommunications backbone extending over 1,200 km from Lake McGill to Inuvik, i.e. from the existing South Canadian Internet backbone to the Arctic Ocean. The cost of the project, completed in 2017, was approximately \$98 million<sup>4</sup>. The partners were the Government of North-West Territories and the Northern Lights Fibre Consortium, including Ledcor Development Ltd., LTS Infrastructure Services Limited Partnerships, Mizuho Bank, NorthwestTel Inc.

One noteworthy Canadian project that is expanding the scope of PPPs, and at the same time one of the earliest partnerships, is the construction of several buildings for the Government of Nunavut, planning for which began a few years before Nunavut was founded as a new territory in 1999. A \$390 million PPP project has resulted in the construction of 10 office buildings as well as accommodation for employees in 11 different communities<sup>5</sup>. The government of Nunavut and the private sector Nunavut Construction Corporation Investment Group Inc. including Kitikmeot, Nunasi, Qikiqtaaluk, Sakku Investments Corporation were the state parties to the project.

### **Conclusion**

The experience of the United States and Canada in the area of public-private partnerships in the implementation of social sector projects demonstrates the high potential for governments to increase their

<sup>1</sup> Stanton Territorial Hospital Renewal Project. *Spectrum website*. Available at: <https://www.p3spectrum.ca/project/info/?id=326>. (Accessed 12.06.2020).

<sup>2</sup> Minister acknowledges 'growing pains' at grand opening of Stanton Territorial Hospital. *CBC website*, Jul 12, 2019. Available at: <https://www.cbc.ca/news/canada/north/stanton-hospital-growing-pains-grand-opening-1.5210824>. (Accessed 12.06.2020).

<sup>3</sup> Iqaluit International Airport Improvement Project. *Spectrum website*. Available at: <https://www.p3spectrum.ca/project/info/?id=249>. (Accessed 14.06.2020).

<sup>4</sup> Mackenzie Valley Fibre Link Project. *Spectrum website*. Available at: <https://www.p3spectrum.ca/project/info/?id=304>. (Accessed 14.06.2020).

<sup>5</sup> Government of Nunavut Buildings. *Spectrum website*. Available at: <https://www.p3spectrum.ca/project/info/?id=47>. (Accessed 14.06.2020).

capacity to ensure infrastructure development and efficiency, which is particularly important for socially vulnerable Arctic territories. The PPP practices reviewed in these North American countries demonstrate similarities, with little direct involvement in the infrastructure provision of federal governments, and with the significant role and responsibility of Canadian provinces and states in the social sector, as well as the expansion of public-private partnerships. There are also international differences, largely due to the institutional environment that characterises these states.

In the USA, despite the large number of different structures involved in the promotion and direct implementation of PPPs, the development of this institution is not very intensive. A factor constraining the attraction of investment in infrastructure under conditions of public-private partnership is to a large extent the existing institutional environment, characterized, among other things, by an underdeveloped system of legal regulation of PPPs both at the federal level and in many states.

Factors for the success of public-private partnership development in Canada are, firstly, a well-structured legal framework regulating various aspects of PPP activities, helping to reduce uncertainty in project implementation, reduce risks and distribute them between the public sector and the private sector, and secondly, an effective organizational and management structure for coordinating public-private sector cooperation (not only at the federal but also at the regional level). This institutional structure is a key driver for the effective use in Canada of public-private partnership mechanisms for infrastructure projects.

Public-private partnerships in the social sphere have become an effective mechanism for developing infrastructure facilities and financing them, and the implementation of PPP projects in the North American Arctic is seen as an effective tool for achieving sustainable development of local communities and the self-development of the socio-economic territorial systems of the Arctic. This experience is also applicable to infrastructure development in other Arctic regions of the world and is important for the regions of the Russian Arctic, where public-private partnerships in the social sphere have only recently begun to develop.

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