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**Public Procurement and Import Substitution in Russian Industry after 2014**

In any economy, the state makes a demand for the goods, works and services it needs, and this demand is important for enterprises in the real sector, including industry. However, during crises, against the background of a general reduction in demand, the significance of this factor always sharply increases. These processes were also observed in Russia, where enterprises of the real sector after the global crisis of 2008-2009. faced a new shock in 2014-2015, which was caused by international sanctions against Russia in connection with the annexation of Crimea and the conflict in Ukraine, the subsequent fall in oil prices, the devaluation of the ruble and a 10% reduction in household incomes. However, in the context of the contraction of the private consumer market, the public procurement market after the crisis of 2014-2015. did not shrink. At the same time, as part of ongoing public procurement, the government has taken a course towards import substitution with the introduction of various protectionist measures to stimulate domestic purchases of high-tech products and restrict imports.

In this paper, based on a survey of manufacturing enterprises conducted by the IIMS HSE in 2018, we analyze the impact of an enterprise's dependence on imports on the likelihood of receiving public contracts. The survey was representative of manufacturing industries as well as groups of small, medium and large enterprises. In addition, the 2018 survey was also representative of the federal districts. In the survey, we asked respondents about the main parameters of the activities of their enterprises, including participation in public procurement, the availability of raw materials, materials, components for production purchased directly from abroad, and the degree of dependence of the enterprise on these products. Additionally, we used data on the sectoral and regional affiliation of the respondent enterprises, the administrative status of settlements and the characteristics of the regions, the structure of ownership, belonging to a business group, membership in business associations, interactions with the authorities, as well as the personal characteristics of the respondents.

The analysis showed that in 2016–2017, 39% of medium and large firms had public procurement contracts in the manufacturing industry. However, among the small firms that took part in the survey, only 22% received procurement contracts, despite the declared preferences in access to public procurement for small businesses. The fact that an enterprise received public contracts was used in the models as a dependent variable. Thus, the binary dependent variable took the value "1" if the industrial enterprise received public contract, "0" in the opposite case. The main independent variable in the models was the presence of imports of raw materials, materials, components for production, as well as imports of equipment or technologies.

A feature of the 2018 survey was that, in addition to traditional questions about the presence of certain categories of imports, we also asked a special question about whether there are Russian and foreign analogues for imported goods or services. In particular, respondents were asked to assess the degree of dependence of their enterprises on imports in five categories - "raw materials and materials", "parts, components and assemblies", "machinery and equipment", "technologies", "services, including maintenance and repair ". Respondents were offered the following answers: “*There is no import of this category*”, “*Imports exist, but there are available Russian analogues*”, “*Imports exist, there are no real Russian analogues, but there is a sufficient choice between foreign suppliers*” and “*Imports exist, real Russian analogues no, the choice of foreign suppliers is extremely limited*.”

As the survey data showed, only 22% of enterprises in the manufacturing industry managed without any import at all in 2017, another 31% noted the presence of affordable Russian analogues in the presence of imports, and 47% of enterprises had no Russian analogues in at least one of the categories of imports. Further empirical analysis showed that the mere fact that an enterprise had imports had no effect on the probability of receiving government orders: the coefficients for the corresponding variable turned out to be insignificant in all model specifications. At the same time, the fact of imports in the presence of Russian analogues increased the likelihood of obtaining government contracts for both small and medium-sized and large enterprises - in comparison with firms that did not have imports at all. In turn, the absence of Russian analogues in at least one of the categories of imports significantly reduced the likelihood of obtaining government orders for medium and large enterprises, regardless of how wide the choice of foreign suppliers was. For small businesses, the corresponding coefficients were also negative, but remained statistically insignificant.

The results obtained give grounds to assert that, along with direct preferences for domestic producers (in the format of the "third wheel" rule), which were established by government regulations, after 2014 Russian public procurement also developed specific mechanisms to stimulate import substitution from suppliers by individual procurers. In particular, in an effort to reduce the risks of possible supply disruptions under the conditions of international sanctions, procurers, other things being equal, gave preference to suppliers who imported only such raw materials, materials, components, equipment, technologies and services for which there were available Russian counterparts. And, on the contrary, the absence of Russian analogues in at least one of the categories of imports acted as a barrier to access to public procurement. It is important to note that such a policy of procurers encouraged suppliers not to refuse imports (since enterprises without imports did not have advantages in obtaining public contracts), but rather to reorient their own purchases of these suppliers to markets where imports competed with Russian counterparts and, if necessary, could be replaced by them.

***Key words:*** public procurement; manufacturing industry; international sanctions; import substitution.