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INDEPENDENT NEWS FROM RUSSIA

S&P Report Envisages University Debt Issuance

By The Moscow Times

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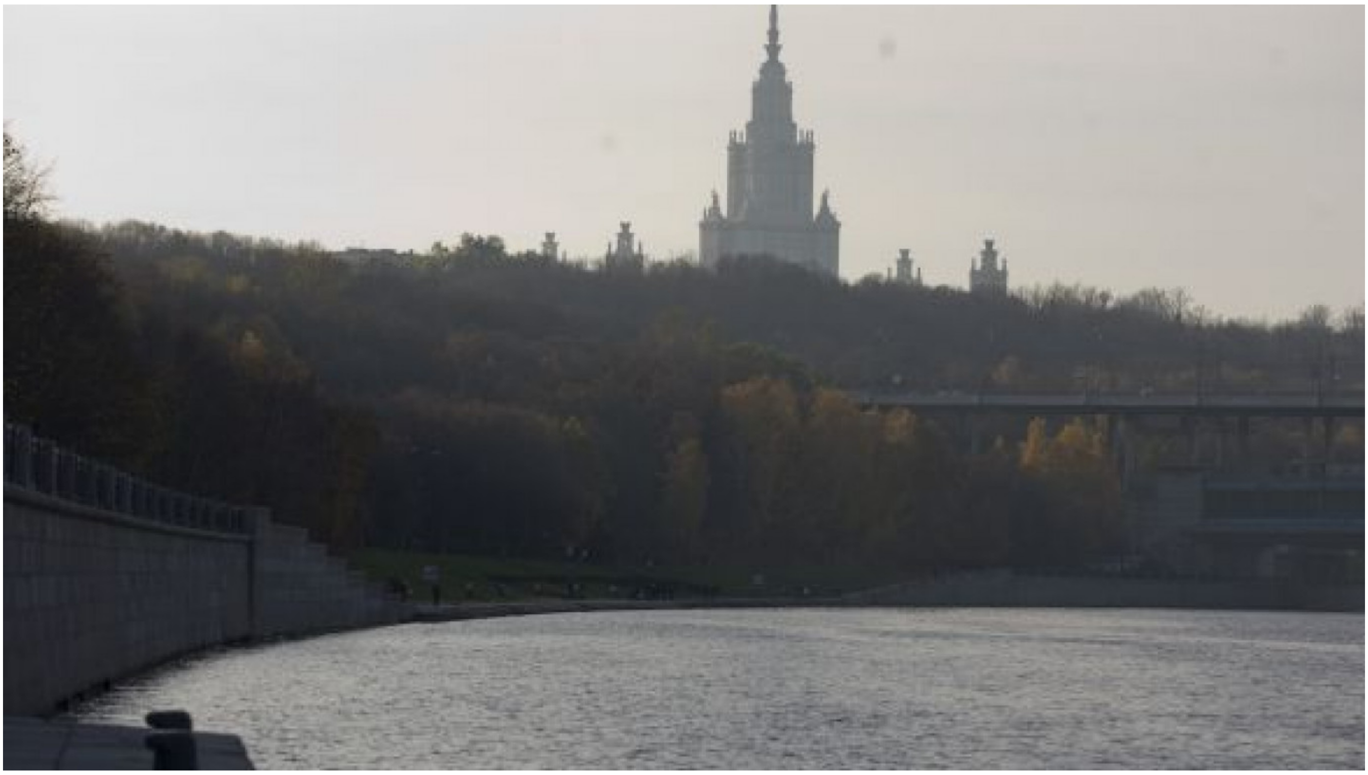

Russian universities obtain the bulk of their finances from state funds and tuition fees. Above, the main building of Moscow State University looming above Sparrow Hills.

Leading Russian universities may choose to issue debt to improve their academic infrastructure after gaining greater autonomy under new public sector reforms, Standard & Poor's Ratings Services said in a new report "Will Russian Universities Emerge as a New Class of Borrower?"

The reform granted approximately 30 universities additional managerial and financial flexibility, which could potentially help them increase and diversify their revenues, and so bridge the infrastructure gap to international peers, the report said.

"We believe that the sector could emerge as a new class of borrower on the market," S&P credit analyst Karen Vartapetov said. "Our early estimates suggest that such borrowings could total about $600 million per year."

"We estimate that leading Russian universities currently spend about an average $2,500 per student per year on capital, only half as much as international peers in Britain and Canada. If they were to issue debt to raise this spending to a par with these peers, we calculate that their borrowing would be about 7 percent of their revenues per year," Vartapetov said.

Russian universities currently obtain the bulk of their finances from state funds and tuition fees. The sector might be exposed to tighter funding constraints over the next few years because the current federal budget for 2012-14 implies a cut in spending on higher education by about 10 percent in real terms between 2011 and 2014.

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