

Special Economic Zones and Investment Fund: New Tools of Public- Private Partnership in the Russian Federation

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Conference 1. New Investment Mechanisms of Public Private Partnership
In the Russian Federation

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Special Economic Zones and Investment Fund: New Tools of Public-Private Partnership in the Russian Federation

- Presentation goal is to introduce business community of Japan with
 - Development and progress of Special Economic Zones in the Russian Federation
 - Operations of Russian Federation Investment Fund
- Successful implementation of both tools requires Public Private Partnership

Special Economic Zones and Investment Fund: New Tools of Public-Private Partnership in the Russian Federation

- Federal Agency for Management of Special Economic Zones
 - Direct responsibility for establishment and management of SEZ
 - Investment Projects Proposals analysis and expertise (in cooperation with Investment Consultants)
 - Established 2005

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- Why Special Economic Zones and Investment Fund?
 - Russian economy remains dependant on traditional sectors
 - Achievement of sustainable economic growth and diversification
 - Public support of private investments where private investments are likely to have difficulties in succeeding independently
 - Pilots leading the way for the new economy

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- Facilitating private investments in creation of new pockets of economic growth and diversification
 - Value-added products development and manufacturing
 - Development of innovative economy
 - Transport infrastructure development
 - Tourism and recreational facilities development
- Special Economic Zones and Investment Fund provide different tools for achievement of these objectives

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- Types of Special Economic Zones
 - **Industrial-production Zones**
 - Manufacturing of value-added goods
 - Area no more than 20 sq. km
 - Life duration no more than 20 years
 - Capital investment no less than 10 million €, for the first year – no less than 1 million €
 - **Technology-innovative Zones**
 - R&D in innovative technologies
 - Area no more than 3 sq km
 - Life duration no more than 20 years
 - **Tourism and Recreation Zones**
 - **Sea Port Zones**
 - Legislation under development

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Location of Special Economic Zones



- Industrial Production Zones (2)

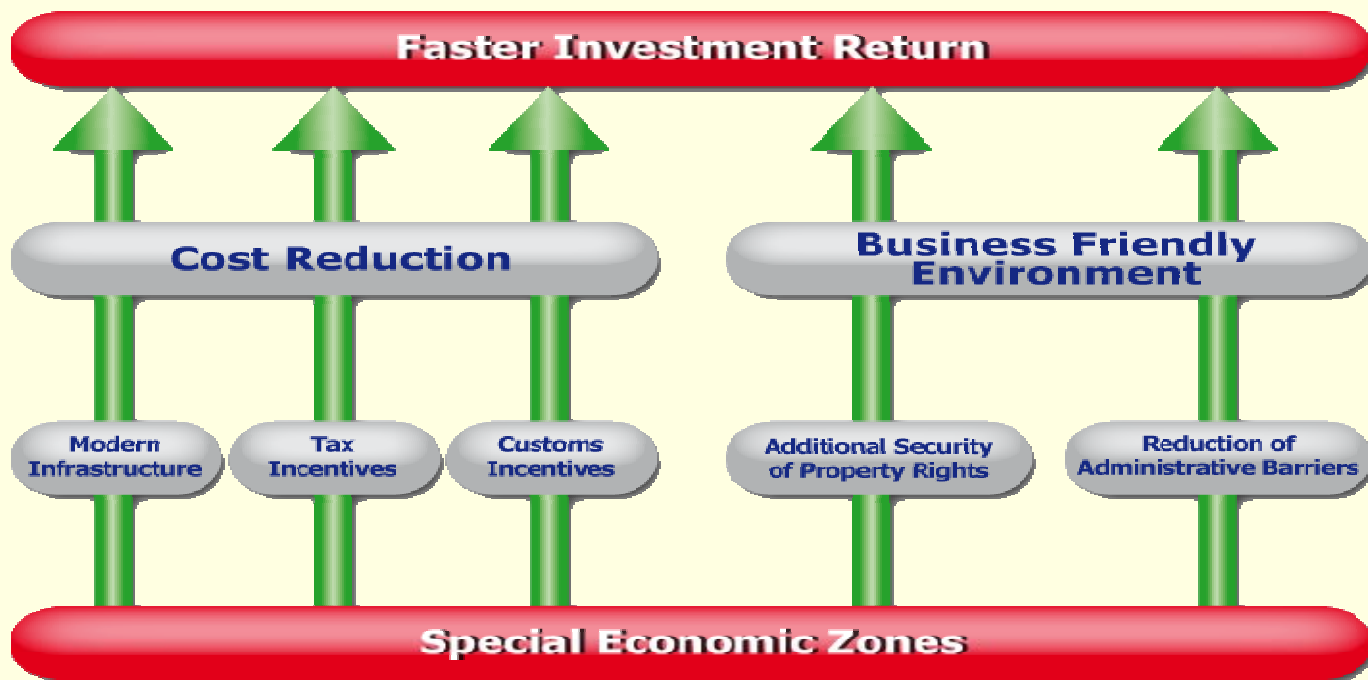
- Technical and Innovative Zones (4)

- Tourist Recreational Zones (7)

The information contained herein is intended as a guide only and does not amount to legal advice.

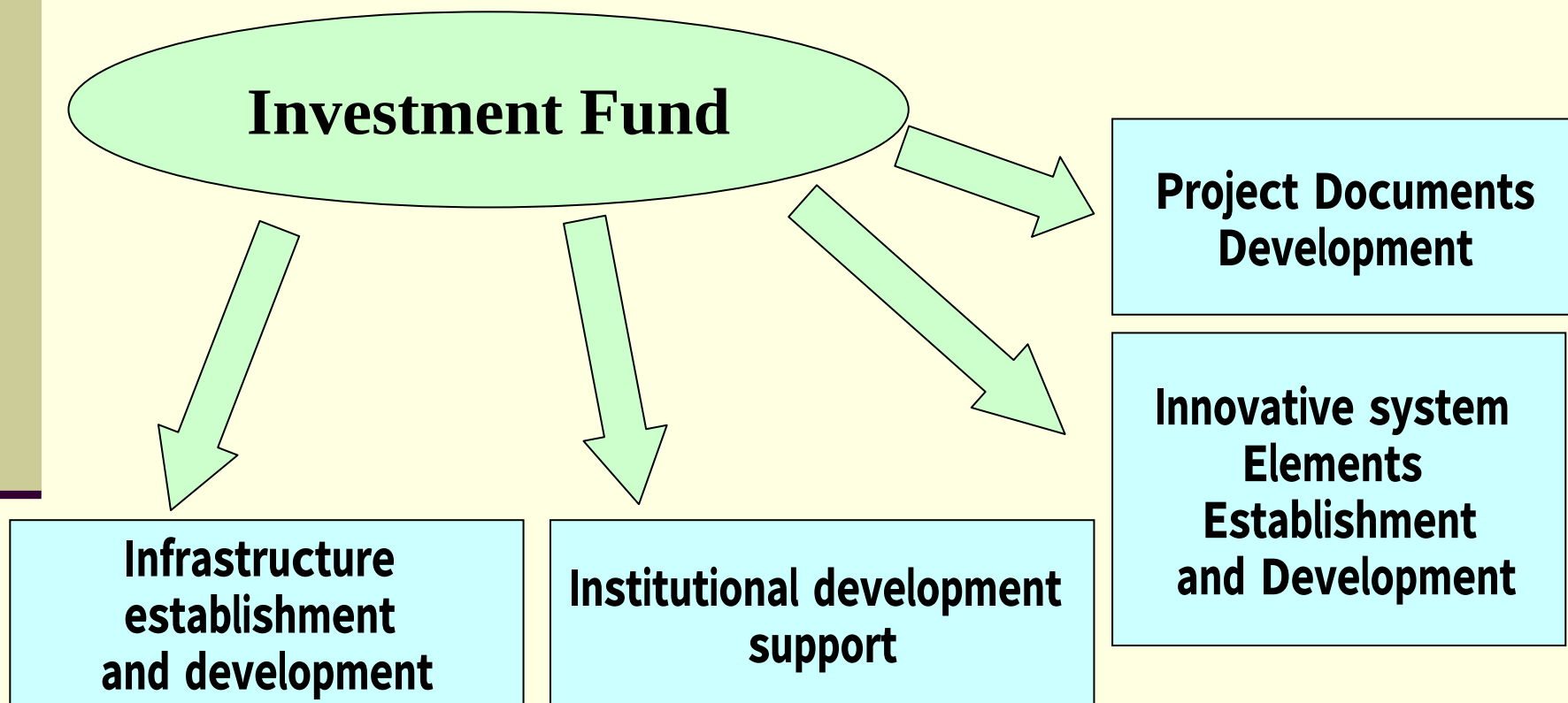
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Special Economic Zones: Public Support Tools



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Investment Fund: Public Support Tools

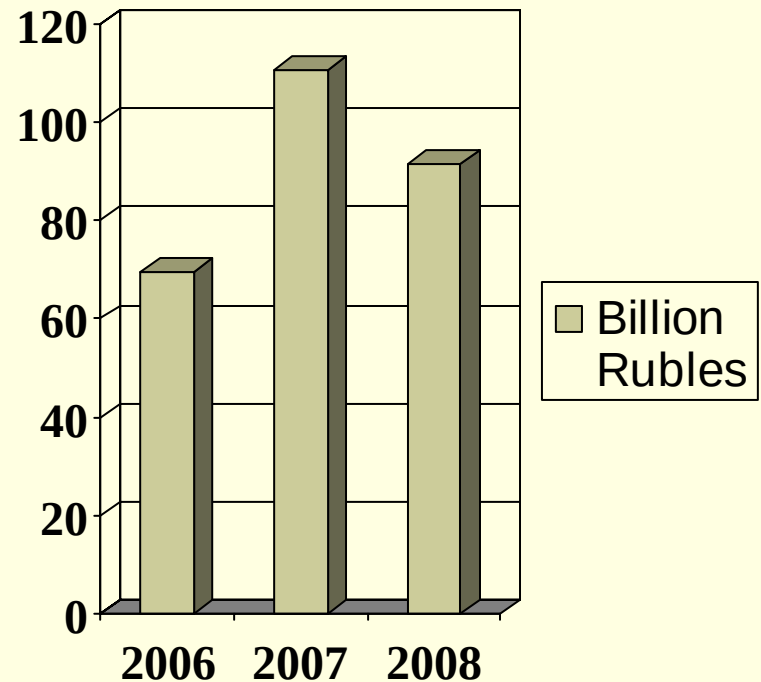


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■ Fund financing sources

- Difference between base oil price revenue forming Stabilization Fund and base oil price reduced by US \$1 per barrel
- Savings from state foreign debt interest rate unpaid due to premature debt coverage
- Russian Federation Government decisions
- Undisbursed Investment Fund amounts are rolled over and accumulated to next year

Investment Fund



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- Project Selection Criteria
 - Quality
 - Quantity

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■ Project Selection Criteria

■ Quality

- Correspond to the objectives of Mid-term Social and Economic Development Program
- Availability of private stakeholder
- Difficulty in implementing a project without public support
- Evident social effect
- Availability of a positive conclusion of an independent investment consultant

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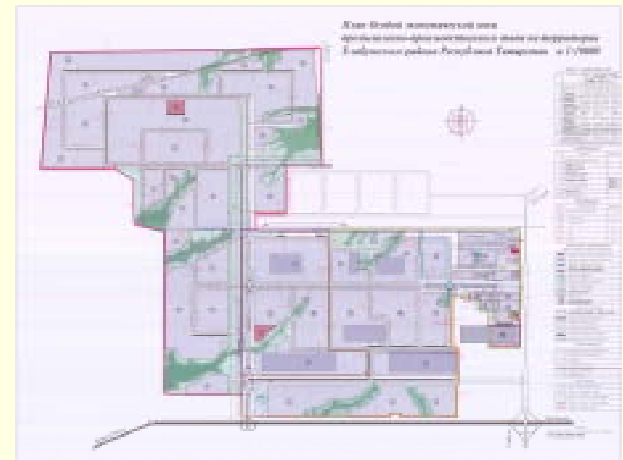
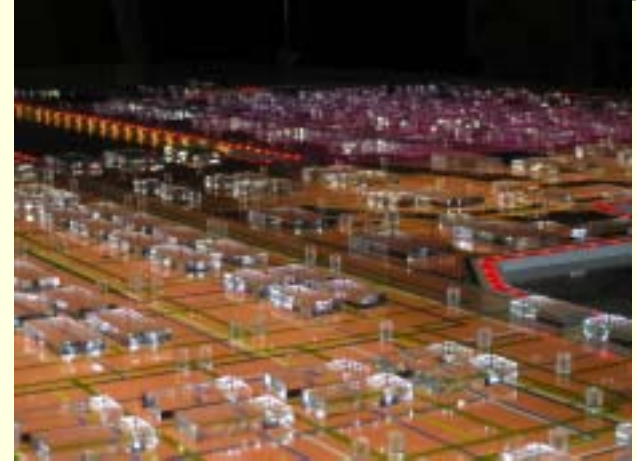
- Project Selection Criteria
 - Quantity
 - Financial effectiveness
 - Budgetary effectiveness
 - Economic effectiveness

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- Forms of Investment Fund public support
 - Investment project co-financing including development of project documentation
 - Participation in equity capital
 - Provision of State Guaranties for investment projects
- Conditions of public intervention
 - Private sector input no less then 25%
 - State Guarantees can not cover more then 60% of loans provided

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- Two Industrial Production Zones
 1. Alabuga, Republic of Tatarstan
 - Car parts
 - Manufacturing of auto vehicles
 - Petro-chemical industry



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- Two Industrial Production Zones
 2. Lipetsk Region
 - Consumer electronics
 - Household appliances



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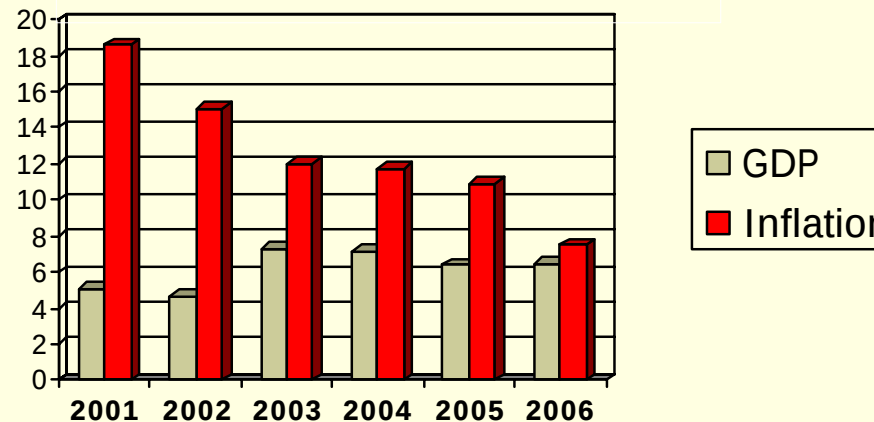
- **Four technology-innovational Zones**
 - **Zelenograd, Moscow City**
 - Computer H&S development
 - Nanotechnologies
 - Optical technologies
 - **Dubna, Moscow Region**
 - Nuclear physics
 - Software development
 - Aviation
 - **Saint-Petersburg**
 - Information technology
 - Communications
 - Medical equipment
 - **Tomsk**
 - Advanced innovative materials
 - Biotechnology
 - Nanotechnology
 - Alternative energy



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Why Invest in Russia?

- Russia's advantages
 - Market size
 - Abundance of natural resources
 - Qualified and relatively inexpensive workforce
 - Growing consumer market
 - Macroeconomic stability



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■ Conclusions

- There is a business friendly and transparent environment under development
- The SEZ's and IF are just less than two years old
- There is a clear vision of what we want to achieve and where we want to be
- We encourage international business community to keep an eye on development of Special Economic Zones and the opportunities that they provide

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