
Alexey L. Overchuk, Deputy Chief, Federal Agency for Management of Special Economic Zones

Conference 1. New Investment Mechanisms of Public Private Partnership In the Russian Federation
Second Russia – Japan Investment Forum

Tokyo, February 28, 2007

- 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

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

- 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

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

- 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

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

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

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

Special Economic Zones: Public Support Tools

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

Investment Fund: Public Support Tools

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

- **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

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

- Quality
- Quantity

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
Project Selection Criteria

- Quantity
  - Financial effectiveness
  - Budgetary effectiveness
  - Economic effectiveness

- 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

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

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

- 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

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

Why Invest in Russia?

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

Total area – 17,098 million sq. km.
Time zones – 11
Population – 144 million

GDP
Inflation

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

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.

The information contained herein is intended as a guide only and does not amount to legal advice.
Contact:
Alexey L. Overchuk
Deputy Chief
Federal Agency for Management of Special Economic Zones
Ovchinnikovskaya nabereghnaya, 18/1
Moscow
Russian Federation

Email: overchuk@economy.gov.ru
alo095@mail.ru