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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

- 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

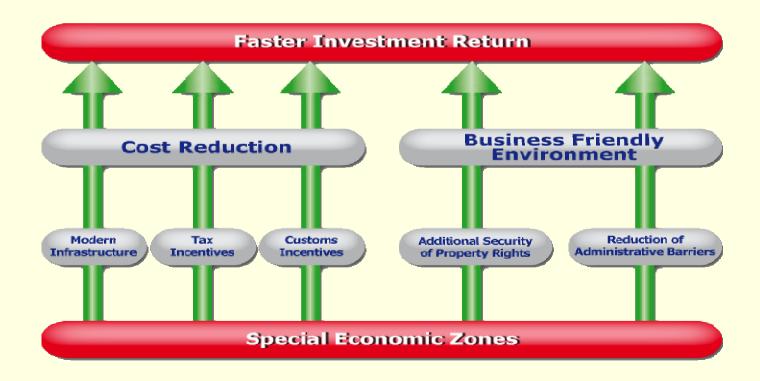
- Why Special Economic Zones and Investment Fund?
 - Russian economy remains dependant on traditional sectors
 - Achievement of sustainable economic growth and diversification
 - Public support of private investments where private investments are likely to have difficulties in succeeding independently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

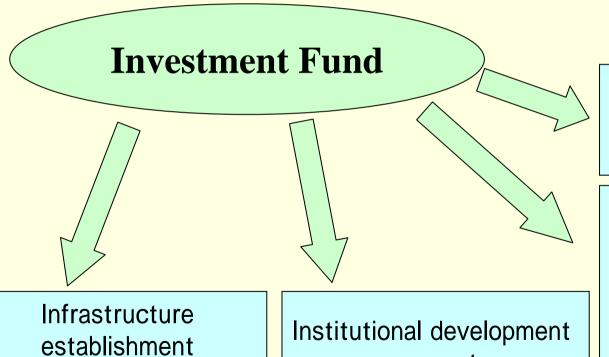
- Types of Special Economic Zones
 - Industrial-production Zones
 - Manufacturing of value-added goods
 - Area no more than 20 sq. km
 - Life duration no more than 20 years
 - Capital investment no less than 10 million €, for the first year – no less than 1 million €
 - Technology-innovative Zones
 - 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



Special Economic Zones: Public Support Tools



Investment Fund: Public Support Tools



and development

support

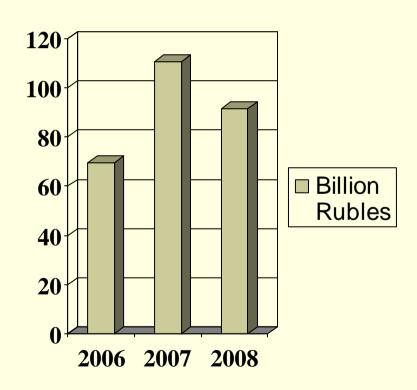
Project Documents Development

Innovative system Elements Establishment and Development

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



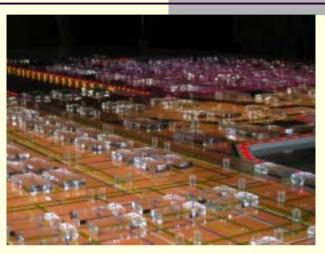
- Project Selection Criteria
 - Quality
 - Quantity

- 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
 - Alabuga, Republic of Tatarstan
 - Car parts
 - Manufacturing of autovehicles
 - 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

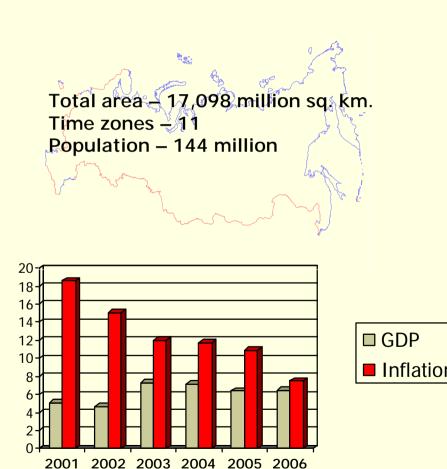
- Advanced innovative materials
- Biotechnology
- Nanotechnology
- Alternative energy





Why Invest in Russia?

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



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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