



DOING
BUSINESS
IN RUSSIA

EASIER THAN EVER

Cooperation between the Russian state and the private sector has a fairly brief, but interesting history. Its principles and forms, whether it's the legal basis or the way of communication, are constantly undergoing change. The "Doing Business in Russia" bulletin, prepared by the Agency for Strategic Initiatives, reports on the evolution of the business environment at all levels – from the municipal to the federal level. This publication also covers current events and the projects undertaken under the aegis of the Agency that are aimed at improving the investment climate.

On the pages of this bulletin you will find:

- Info on the latest changes in the investment and business climate in Russia;
- Pending roadmaps and initiatives designed to enhance overall business experience;
- Promising investment opportunities in the Russian regions.

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AGENCY FOR STRATEGIC INITIATIVES

ABOUT ASI

Current report was prepared by the Agency for Strategic Initiatives (ASI), a non-commercial organization founded in 2011 by the government of Russia.

THE AGENCY'S MAIN OBJECTIVES:

- Enhancing business climate and eliminating administrative barriers
- Creating means of communication and cooperation between businesses and authorities
- Improving entrepreneurs' influence on state regulation
- Setting the agenda for educational reforms

STRUCTURE:

NEW BUSINESS developing roadmaps (p. 6–13), supporting projects (p.32)

BUSINESS CLIMATE enhancing conditions for doing business (p. 14–25)

SOCIAL PROJECTS promoting social business (p.34)

YOUNG PROFESSIONALS devising new educational models (p. 36)

Supervisory board members:

minister of economic development of Russia, general director of the ASI, heads of several Russian regions, representatives of business associations, chairs of state banks.

Supervisory board chairman: the president of Russia.

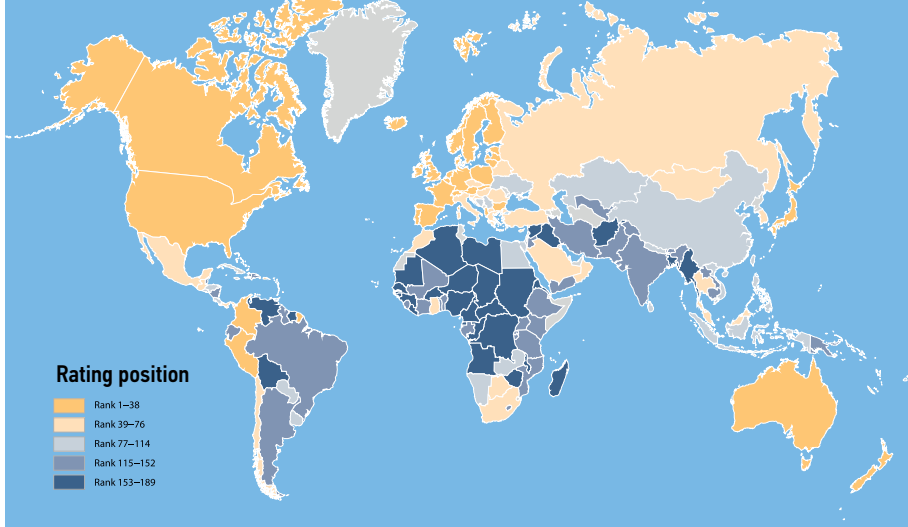


A look at ourselves

Doing Business in Russia

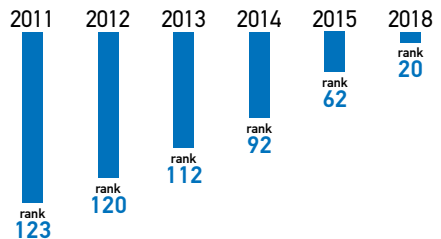
The World Bank's annual Doing Business reports are probably one of the most influential sources of information about business conditions in different countries. Since 2002, the Bank's specialists have been collating and analysing data relating to conditions which govern business activities. The 2003 report included an assessment of **133 countries based on 5 sets of indicators**. This year's study covers **11 sets of indicators for 189 countries**. It provides an exhaustive analysis of the regulatory environment and the reforms undertaken in each of the countries examined.

According to the World Bank's most recent data, **Russia is ranked 62nd between Greece and Moldova**. Based on the sum of all factors, Russia is clearly ahead of rapidly developing Brazil, India and China, displaying an average result for the "Europe and Central Asia" region.



Global rating «Doing business - 2015»

In 2011, the then prime-minister Vladimir Putin declared a goal for the government: to make sure that Russia attains a position amongst the top twenty leaders in the Doing Business ranking by 2018. At that time Russia was in 123-rd place, and despite the continued positive economic trend, was still an unfriendly environment for small and medium business. The coordinated efforts by representatives of the business sector and the government at all levels have contributed to rapid and remarkable results.



Sylvie Bossoutrot,
 coordinator of Russia
 Programs for the World
 Bank

« Since 2011, Russia has implemented 13 important regulatory reforms which have been referred to in the “Doing Business” study. The reforms include: speedier business registration and ownership rights registration by means of implementing the single window system, reduction in costs and optimisation of the permit procedures in the construction industry and for connections to the electricity power grid, speedier implementation of contracts, improvement to international trade conditions and payment of taxes by means of introducing online services and electronic documentation systems. These reforms have played a vital and positive role in simplifying the procedures for doing business in Russia »

Andrei Nikitin
 Director General, Agency
 for Strategic Initiatives

« The new draft legislation is now at the review stage in the State Duma. We expect that the most significant advance towards removing administrative barriers will take place in the first half of 2015. This breakthrough is happening right now »



National business initiative

Roadmaps

No one knows more about the problems of doing business than businesspeople themselves. To make use of their experience, the Agency for Strategic Initiatives is implementing the National Business Initiative (NBI). Within this project over thirty thousand entrepreneurs have provided proposals for improving business conditions and removing administrative barriers. These recommendations formed the foundation of 11 NBI Roadmaps — lists of actions aimed at simplifying existing procedures, accelerating them and decreasing their cost. The NBI roadmaps have been accepted by the government and are being implemented throughout the country.

Some of the roadmaps correlate directly with the indicators used in the Doing Business ranking.

Doing Business indicator	NBI roadmap
Getting electricity	Enhancing availability of energy infrastructure
Trading across borders	Improving customs administration
Dealing with construction permits	Improving business climate in the construction industry
Paying taxes	Improving tax administration
Starting a business	Optimization of registration procedures
Registering property	Optimization of property registration procedure

Getting electricity

Roadmap “Enhancing availability of energy infrastructure”

Date of approval
2012

Due date of
implementation
2017

Implementation
progress*



Electricity supply is one of the most regulated areas of economic activity. Companies bear significant expenses while connecting to the energy networks. Today the average cost of getting electricity is five times less than three years ago, and the number of procedures as well as their duration diminished by a half. However, the main improvements are still to be seen – a package of laws which should increase access to the energy infrastructure is already awaiting ratification in the Parliament.

Roadmap implementation aims at making the connection to the electricity grids much more simple, fast, transparent and less costly.

According to a World Bank survey, company directors in 108 countries consider the presence and reliability of electricity supply to be the second most important condition for the business activities and investments. The first one was the access to finance.

Since 2015 World Bank survey takes into account the average value of indicators of Moscow and St. Petersburg.

Indicator	2013	2014	2015	2018
Russia in the Doing Business ranking	184	117	143	20
Number of procedures required to gain access to the electricity network	10	5	5.6	5
Time required for connection to the electricity network (days)	281	162	179.1	40
Cost of connection to the electricity network (% of per capital income)	1573.7	293.8	321.0	25

*Hereinafter progress indicates whether the measures with expired date of implementation were implemented

Trading across borders

Roadmap “Improving customs administration”

Date of approval
2012

Due date of implementation
2018

Implementation status



From the January 1st, 2014 Russia has made trading across borders easier by introducing an electronic system to submit export and import documents and by reducing the number of physical inspections.

Although Russia per se is one of the biggest markets, we are intent on simplifying cross-border trade in order to help entrepreneurs find and use new opportunities for business development.

Reforms in the customs administration are focused on simplifying the procedure for transiting goods and vehicles through the border of the Customs Union upon import into the Russian Federation and export from the Russian Federation.

Roadmap implementation aims at:

- Reducing the number of documents required for completing customs formalities and the time needed for their preparation
- Reducing the amount of illegally imported goods getting to the Russian market;
- Implementation of new technologies for customs declaration and processing of goods, which allow to reduce the duration of administrative procedures to a minimum.

Indicator	2013	2014	2015	2018
Russia in the Doing Business ranking	162	157	155	17
Number of documents required for export clearance	8	9	9	4
Export time (days)	21	22	21.1	7
Number of documents required for import clearance	11	10	10	4
Import time (days)	36	21	19.4	7

Dealing with construction permits

Roadmap “Improving business climate in construction industry”

Date of approval
2013

Due date of
implementation
2018

Implementation
status



Russia has already greatly simplified the inspection procedures at the construction stage, and excluded unreasonable ones from the process of obtaining construction permits.

A transparent and simplified system of obtaining construction permits which guarantees compliance with construction and safety standards is a necessary condition for the effective work of many companies in different sectors. The reforms which have already begun and which will be entirely implemented in 2018 include many more changes than are reflected in the World Bank indicators – from the quality of engineering requirements at the planning stage, to ensuring the infrastructure of the new territories.

The implementation of roadmap measures will allow to simplify the construction processes from the stage of preparing construction documentation to the commencement of site operations and the registration of ownership rights.

Roadmap implementation aims at:

- Simplification of urban planning preparation of the land parcels
- Improvement of the regulatory environment;
- Reduction in the amount, total time and costs of procedures related to the implementation of investment projects in construction.

Indicator	2013	2014	2015	2018
Russia in the Doing Business ranking	178	178	156	34
Number of procedures required to obtain a construction permit	42	36	19.8	11
Time needed to obtain a construction permit (days)	344	297	238.4	56
Total cost of obtaining construction permits (% of per capital income)	129.2	89.0	1.9*	101

*In the DB2015 rating, the measurement unit for this indicator has been changed to % of the value of goods warehousing

Paying taxes

Roadmap “Improving tax administration”

Date of approval
2014

Due date of implementation
2015

Implementation status



Changes to the Russian tax administration comply with the global trend of accountability simplification and transition towards electronic documentation. A competent tax administration is one of the main components of a good business environment. It also helps significantly extend the scope for collecting taxes and increases budget revenue.

Roadmap implementation aims at reducing the administrative burden of excessive regulation during taxes and deductions payment. This implies the following measures:

- Cancelling tax and other regulated forms of records that duplicate accounting ;
- Removing outdated forms of documents;
- Prioritizing electronic documentation in accounting and reporting;
- Moving towards regulated accounting in accordance with the International Standards for Financial Reporting accompanied by changes to tax and budget legislation.

Total time for papers preparation and tax payment in Russia is less than average for OECD countries with high income, and substantially less than in the countries of Europe and Central Asia.

Indicator	2013	2014	2015
Russia in the Doing Business ranking	64	56	49
Labour costs for the preparation and submission of tax reports for a model company (hours)	177	177	168
General tax rate (% of profit)	54.1	50.7	48.9

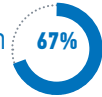
Starting a business

Roadmap “Optimization of business registration procedures”

Date of approval
2013

Due date of
implementation
2015

Implementation
status



Company registration is the first stage of turning an idea into a working business. The reforms which took place in Russia in 2013 and 2014 allow this step to be taken quickly and with minimum expense.

Roadmap implementation aims at optimising state registration of limited liability companies as the primary organizational and legal form of medium and small businesses — by means of reducing the number of procedures, their cost and time they take.

In 2014 Russia simplified starting a business by eliminating the requirement to deposit the charter capital before company registration as well as the requirement to notify tax authorities of the opening of a bank account (went 54 positions up from 88 to 34 in the World Bank Doing Business 2015 ranking).

Indicator	2013	2014	2015	2018
Russia in the Doing Business ranking	101	88	34	20
Number of registration procedures	8	7	4.4	3
Time required for the registration of a legal entity (days)	18	15	11.2	5
Cost of registration of a legal entity (% of personal income)	2	1.3	1.2	—

Registering property

Roadmap “Optimization of property registration procedure”

Date of approval
2012

Due date of implementation
2018

Implementation status



Registration of property rights is one of the most appraised indicators of Russian business environment. Current system is based upon the world’s best practices, although half of the measures outlined in the roadmap are yet to be implemented.

Measures included in the roadmap will help optimize cadastral record-keeping procedures and state registration of property rights, and will also increase the quality of state services provided.

Russia already has a provision for online registration of property rights and cadastral record-keeping. This service would be available to anyone starting in March 2015.

Roadmap implementation aims at:

- Creation of an accurate Unified state real property register;
- Reduction of time taken by cadastral and state rights registration to 5 and 7 days respectively;
- Creation of technologies to prevent increases in consumer costs of state services;
- Reduction of paperwork and transition towards electronic documentation;
- Efficiency improvement of the state registrar;
- Creation of mechanisms for full damage recovery in situation of property loss and (or) the occurrence of other risks for applicants;

Indicator	2013	2014	2015	2018
Russia in the Doing Business ranking	46	17	12	4
Number of procedures for the reporting and registration of rights	5	4	3	—
Total period for reporting and registration of rights (days)	44	22	19	12

In addition to the indicators that the World Bank experts noted in their studies, Russia has specific troublesome areas which are well-known to both businessmen and the state administration. These include exports of goods, competition and anti-monopoly policies, access to public procurement, valuation activities and a regulatory environment for business. All these problems also have corresponding roadmaps aimed at implementing serious reforms in accordance to the best global practices.

**Enhancing business
regulatory environment
quality
2013–2015**



**Promoting competition
and improving
antimonopoly policy
2012–2015**



**Supporting access
to foreign markets
and supporting export
2013–2015**



**Opening up public
procurement to
themedium-sized
business
2013–2018**



**Improving
valuation activities
2013–2015**



PROJECT PROGRESS:

- 26 federal laws have been passed at the initiative of the business community
- 13 and 26 draft federal laws are at the review stage in the State Duma and the Government Administration, accordingly
- 26 draft federal laws are at the development stage

Level playing field

Investing in a country as big as Russia requires careful and detailed research. The experience of investors varies greatly across the vast territory because of differences in economic development, personnel availability and resources endow. That's why doing business in every of Russia's 85 regions has its own specifics. .Today things are changing for the better, it's getting easier to understand the set of rules. For the last three years every region was gradually implementing a package of 15 reforms to standardize investors' experience. These reforms were devised by the Agency for Strategic Initiatives in partnership with the non-governmental organization "Business Russia ". They were based on successful practices we've found in the regions performing best in termes of investment attraction. The whole project of promoting the reforms elsewhere was named The regional investment standard, and it's now compulsory for every local government.

The package of reforms includes, among others, the following:

- adopting the investment strategy
- elaborating the schedule of investment infrastructure development
- creating a legal framework to protect investors' rights
- establishing a consultancy coordinating body and a specialized agency for investment attraction
- evaluating the effects of regulatory changes

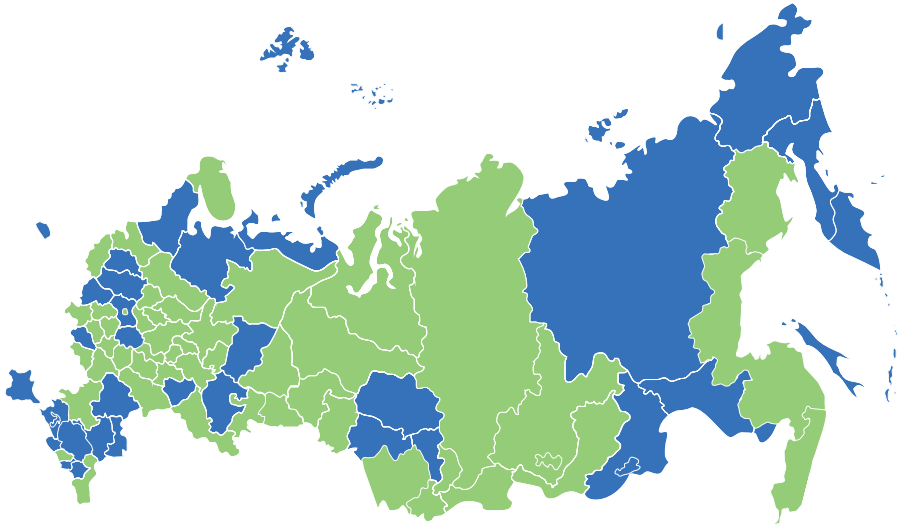
As of October 2014 51 of 85 regions have completed the implementation of the Standard (see map). The reforms are already producing results: the framework of doing business got more transparent, and it helps attracting growing amounts of investments, implement new projects and create jobs. But the most important result doesn't concern money; the Standard helped raise the level of trust and create efficient means of communication between business and local authorities. All the reforms carried out in the regions are being evaluated by the business community. Even after the implementation is completed the monitoring continues.

Alexander Galushka,
Minister for Development
of Russian Far East



The intent behind the Standard is to make sure that the best business and public interaction practices observed in some regions are commonplace and country-wide, rather than one-off incidents





■ Russian regions which have implemented the Standard, October 2014

The Investment Standard is set to be implemented by every regional government in Russia. Entrepreneurs and local business leaders are to monitor and evaluate the adopted policies.

Recent investment projects facilitated by the Standard's implementation:

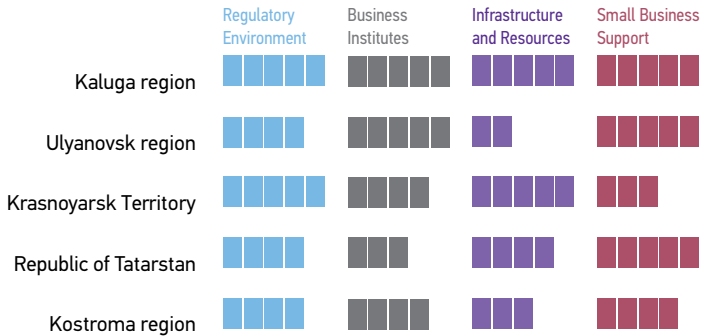
1. **Marble meat production complex in the Voronezh region**
 - 10 bln RUR invested
 - 152 new jobs
2. **Mineral water filling plant in the Republic of Chechnya**
 - 1 bln RUR invested
 - 80 new jobs
3. **Pharmaceutical production meeting GMP standards in the Tomsk region**
 - 150 mln RUR invested
 - 165 jobs created
4. **Paper manufacture plant in the Yaroslavl region**
 - 3 bln RUR invested
 - 400 new jobs



Competing for investments

Ranking economies by the ease of doing business, according to the World Bank, proved to be a great way of generating interest in reform worldwide. In 2014 Russia launched a project to benchmark regional policies of investment attraction. The main objective was to reveal the best practices in this area, promote them and thus create a competitive environment. The pilot project involved the evaluation of 21 regions and was implemented by the Agency for Strategic Initiatives in close cooperation with all the main business associations.

RUSSIAN REGIONAL INVESTMENT CLIMATE INDEX. FIRST RESULTS



Data sources: annual statistics of federal and regional authorities, business surveys (over 500 respondents in each region); expert assessments (more than 20 per region). Ultimately, this project should result in an increased inflow of investment and an accelerated development of domestic business.

Overall ranking consists of four component indicators, taking into account the efficiency of regulatory environment and the quality of business institutions, the level of infrastructure development and the adequacy of business incentives provided by the government. 54 basic measurements in total were taken. These indicators help compare the regions regardless of geographic, climatic and other conditions.

Next year the Regional Investment Climate Index will include all the regions — and we've already made a list of best practices for them to implement.

Best regional practices

Project goal: increase investment and accelerate the development of domestic business. Next year the national rating will include all regions of the country, and we have already accounted for them a collection of best practices — ready solutions for improving the business climate in the region.

1 ■ MOSCOW

ATTRACTING INVESTMENT AND WORKING WITH INVESTORS

Problem: inefficient cooperation of authorities in work with investment projects; lack of information for investors about measures of government support.

What's done: in order to increase transparency and efficiency in attracting investment, two development institutes were created — the City Agency for Investment and the Center for Innovative Development. Each of them carries out certain investor tasks and bears personal responsibility for its performance.

Result: beginning March 2014, the direct request line has been working. It has already processed 24 investment projects.

2 ■ ULYANOVSK REGION

GETTING ELECTRICITY

Problem: electric companies had no clear regulations for connecting to the grid and constantly violated deadlines.

What's done: the unified order with strict deadlines for providing connecting to the grid service was made obligatory for the companies of the sphere.

Result: reducing the period for delivering the technical conditions for connection by up to 15 days and shortening the period for connecting objects with power capacity under 150 kW by up to 83 days.



3 ■ KRASNOYARSK TERRITORY

OBTAINING CONSTRUCTION PERMITS

Problem: significant differences in procedures at the municipal level; lack of transparency and control over procedures implementation.

What's done: the unified regional regulation has been developed; the number of necessary procedures has been cut and an electronic system for project documents adjustment and for verification of request status has been introduced.

Result: reducing the examination period from 60 days to 21–45 days; introducing the opportunity for documents adjustment at the examination stage.

Andrey Nikitin,
Director General of the Agency
for Strategic Initiatives



In 2015 the ranking will include all 85 regions of the Russian Federation. Therefore, the regions that are in the leading group today will need to make serious efforts to keep their positions





Investment Opportunities

A look at the regions

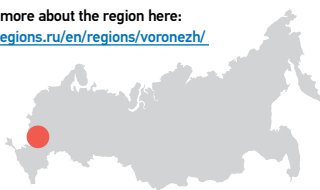
Russia is not just Moscow and St. Petersburg: over two thirds of the overall direct foreign investment in 2013 went to other regions of Russia*.

The infrastructural and administrative reforms of recent years have made Russian regions attractive investment destinations. The diversity of natural, ethnic, cultural and economic factors means that you can select the most convenient conditions for your business and use the specific characteristics of a region to your advantage.

In this section of Doing Business in Russia, you'll find a showcase of five regions. Each of them offers a great investment opportunity from warehouses construction and stock-rearing to manufacturing vehicle parts and pharmaceutical products.

[Find detailed information about business environment in the Russian regions at investinregions.com](http://investinregions.com)

*according to the National Rating Agency (NRA) report "Direct Foreign Investments in Russia: Regional Aspects", from April 2014



Investment opportunities

Voronezh Region

1 REGION IN FIGURES

Population	2.3 mln
Population of the neighbouring regions	14.2 mln
Average rental price for class "A" office premises	RUB 9 000 /sq. m/year
Average rental price for class "A" industrial and warehouse premises	RUB 36 000 /sq.m/year
Average sale price of industrial land	RUB 1 600 000 /ha
Average salary	RUB 21 825

The region with advanced agriculture located at the crossroads of the transport corridors «North-South» and «East-West»; it has a large market potential: 50 mln people live within a radius of 500km. The region is considered to be the leader in terms of science and higher education in the Central Black Earth Region.

2 BEST INVESTMENT OPTIONS

№1 Storage, distribution and processing of agricultural products		№2: Starch treacle production	
Key facts			
Yields of agricultural crops (2013)	11.6 mln tonnes	Yields of agricultural crops	3 6 mln tonnes
Required storage capacity	920 thousand sq.m	Required storage capacity	31.8 mln tonnes
Annual market capacity	RUB 11 bln annually	Annual market capacity	RUB 477 mln annually

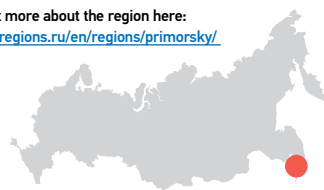
- High security region gas;
- Significant amounts of agricultural land (more than 6 mln ha);
- The point of reference in the construction of the transport corridor «Western Europe - Western China».

3 BUSINESS INCENTIVES PROVIDED BY THE REGIONAL GOVERNMENT

- Tax reduction:
 - Reduction in profit tax from 18% to 13.5%, from 3 to 5 tax periods;
 - Reduction in property tax to a maximum level of 0.2% for 3 tax periods.
- Subsidies:
 - credit percentage rate;
 - 100% reimbursement of service payments for technological connection to the electricity network and for the construction of engineering and transport infrastructure facilities — no more than 10% of the sum of capital investments.

CONTACTS

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Investment opportunities

Primorsky Territory

1 REGION IN FIGURES

Population	1.9 mln
Population of the neighbouring regions ¹	39.6 mln
Average rental price for class "A" office premises	RUB 7 910 /sq.m/year
Average rental price for class "A" industrial and warehouse premises	RUB 4 205 /sq.m/year
Average sale price of industrial land	RUB 520 000 /ha
Average salary	RUB 31 634

The region has strong export potential, advanced infrastructure, created or modernised in preparation for the APEC Summit, as well as a favorable geographical location close to the center of the Asian-Pacific region.

2 BEST INVESTMENT OPTIONS

№1 Production of autocomponents		№2: ProceSSION and conserving of fish and seafood	
Key facts			
Volume of cars and auto components sales within the territory (2013)	USD 4,82 bln	Fish and seafood export (2013)	USD 852 mln
Amount of cars produced at the Sollers factories in the Far East (including joint ventures) (2013)	95 000 units	Processed fish and seafood export (2013)	USD 163.4 thousand

3 BUSINESS INCENTIVES PROVIDED BY THE REGIONAL GOVERNMENT

- Manufacturing:
 - Tax profit concessions: 0% for the first 5 years and 10% for the following 5 years;
 - Property tax concessions: 0% for the first 5 years and 0,5% for the following 5 years;
- Service sector:
 - Tax profit concessions – 13.5% for 10 years;
 - Property tax concessions: 0% for the first 5 years and 0,5% for the following 5 years;
 - Government guarantees in accordance with the legislation of the Primorsky Territory.

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¹ Land borders, including the Heilongjiang province, not taking into account the border territories with the DPR.



Investment opportunities

Orenburg Region

1 REGION IN FIGURES

Population	2 mln
Population of the neighbouring regions	19.3 mln
Average rental price for class "A" office premises	RUB 7 265 /sq. m/year
Average rental price for class "A" industrial and warehouse premises	RUB 2 500 /sq. m/year
Average sale price of industrial land	RUB 4 870 000 /ha
Average salary	RUB 21 598

The region plays the key role in the creation of the "Western Europe — Western China" transport corridor. Moreover, it combines agricultural and industrial potential, and has gas, forage and land resources (more than 6 mln hectares).

2 BEST INVESTMENT OPTIONS

№1 Beef cattle industry		№2: Production of components and service for agricultural equipment	
Key facts			
Sales within the region (2013)	RUB 6.02 bln	Sales within the region (2013)	RUB 1.2 bln
Annual market capacity (2013) ¹	RUB 13.3 bln	Share of domestic manufacturers in total sales (2013)	48%

¹ Taking into account export beyond the Orenburg region by means of road transport at a distance of no more than 400 km, not taking into account export support programs within the developing cluster.

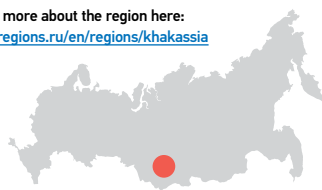
3 BUSINESS INCENTIVES PROVIDED BY THE REGIONAL GOVERNMENT

- Reduction of profit tax from 18% to 13.5%, for a period of 3 calendar years;
- Exemption from payment of tax on newly created property for a period of no more than 5 years;
- Introduction of a beneficial rental rate (50%) for property investors located on property belonging to the Orenburg region (with the exclusion of land sectors);
- Ensuring the fulfillment of investors' obligations by means of a pledge upon property, located within Orenburg region state ownership.

CONTACTS

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Investment opportunities Republic of Khakassia

1 REGION IN FIGURES

Population	534 000 ppl
Population of the neighbouring regions	6.1 mln ppl
Average rental price for class "A" office premises	RUB 6 000 /sq. m/year
Average rental price for class "A" industrial and warehouse premises	RUB 2 280 /sq. m/year
Average sale price of industrial land	RUB 2 000 000 /ha
Average salary	RUB 27 865

Republic of Khakassia is one of the oldest mining areas in Siberia. Extraction of mined iron, molybdenum ore, gold, coal, non-metallic minerals takes places on this territory. More than half of the region is covered by forests, which makes Khakassia a promising destination for the woodworking industries.

2 BEST INVESTMENT OPTIONS

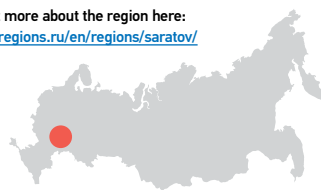
№1 Distribution center for agricultural production with vegetable storage		№2: Lumber production	
Key facts			
Gross harvest of agricultural crops (2013)	382 thousand tonnes	Sales in the region (2013)	RUB 24.1 mln
Potential need for warehousing (2013)	94.1 thousand sq.m	Amount of imported produce into the region (2013)	RUB 86.7 mln
Annual market capacity	RUB 214.7 mln	Annual market capacity	RUB 135.7 mln
		Share of domestic manufacturers in total sales	35%

3 BUSINESS INCENTIVES PROVIDED BY THE GOVERNMENT

- Exemption from transport tax (for 5 tax periods);
- Reduction in tax rate (for 5 tax periods):
 - in profit tax: from 18% to 13,5%;
 - in property tax: from 2,2% to 1,1%;
- Beneficial rates for property owned by the Republic of Khakassia;
- State guarantees;
- Tax credits for investors, public funding, subsidies and grants.

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Investment opportunities

Saratov Region

1 REGION IN FIGURES

Population	2.5 mln
Population of the neighboring regions	13.8 mln
Average rental price for class "A" office premises	RUB 12 000 /sq. m/year
Average rental price for class "A" industrial and warehouse premises	RUB 3 000 /sq. m/year
Average sale price of industrial land	RUB 1 500 000 /ha
Average salary	RUB 21560

The region has a favorable transit location: Volga, the longest river of Russia meets the main railway line that connects the central and the southern parts of the with the Urals, Siberia, as well as Kazakhstan and other Central Asian states. Energy, agriculture, and foreign trade are being intensively developed in the region.

2 BEST INVESTMENT OPTIONS

№1 Pharmaceutical products manufacturing		№2: Storage, distribution and processing of agricultural products	
Key facts			
Sales within the region (2013)	RUB 9.23 bln	Gross harvest of agricultural crops (2013)	5.7 mln tonnes
Annual market capacity (2013) ¹	RUB 22 bln	Potential need for warehousing ²	926 thousand sq. m
Share of domestic manufacturers in total sales	8%	Annual market capacity	2780 bln

¹ Taking into account export beyond the Saratov region by road transport at a distance of no more than 400km.

² Based on a warehouse outsourcing standard of 30%, not taking into account fruit and vegetables imported into the region.

3 BUSINESS INCENTIVES PROVIDED BY THE REGIONAL GOVERNMENT

- Exemption from transport tax.
- Reduction in tax rate: in profit tax: from 18% to 13.5% for 5 tax periods; in property tax: from 2.2% to 0.1% for 5 tax periods.
- Rental payment of 1% of the cadastral value of land which is state property of the Saratov region, as well as land upon which state ownership has not been demarcated, or otherwise has not been established within Federal law, in compliance with the types of permitted use.

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Solving problems on a local level

Municipalities take center stage

Rules of play laid down in a specific city are no less important than the business environment in a whole country. In order to introduce positive changes into every part of Russia, the Agency for Strategic Initiative has cooperated with two of the most influential business associations to compile a set of best practices that can be implemented by every municipality. To mention just a few:

— **A transparent system of selecting investment projects financed from the municipal funds.** Local budgets are small, so it is important to select priority projects.

Best practice found in:

Novoulyanovks, Ulyanovsk region, Cherdaklinsky region, Ulyanovsk region, Krasnoyarsk region, Astrakhan region.

These regions have a clear procedure of assessing the projects' future economic performance, the sector they fall into and the necessary amount of financing.

— **Municipal internet resource about investment activity.**

Specialised sites allow for the prompt publication of information (frequently in a number of languages) referring the investment opportunities in the region, state business incentives and legal basis.

Best practice found in:

Krasnodar, Krasnodar region — investment.krd.ru

Petrozavodsk Municipal District, Republic of Karelia — ptzinvest.ru

Bratsk, Irkutsk region — invest.bratsk-city.ru

Perm, Perm region — invest.gorodperm.ru



Expert opinion

Business leaders talk



Vice President
of Siemens in Russia

Sergey
Krylov

How did the company choose which Russian regions to invest in?

Since 2009, Siemens has been implementing a large-scale localization program in Russia, which is based around creating and expanding our production in the country. As of today, our Ural Locomotives plant in the Yekaterinburg area is fully functional. We've created an industrial cluster in Voronezh to produce equipment for electricity grids, and in 2015, we'll be opening a plant for the production and maintenance of gas turbines in the St. Petersburg area.

When choosing a particular region to open a plant in, we take into account conditions such as the presence of logistical networks, access routes, electricity supply systems and other infrastructure. We also have to take into account the presence of plants able to manufacture the components we need. And of course, our relations with the local administration: their willingness to help us obtain the documents we need to start doing business as quickly as possible. Another important factor is the availability of qualified personnel in the region.



What kinds of business incentives do you consider most effective?

An important factor for us is how much the regional administration can assist the plant's further development after its construction. I'm not just referring to potential orders here, but also to the help in selecting the personnel we need, providing additional necessary infrastructure and so forth. It's also important for there to be equal conditions for all the market participants in the region, i.e. all legally allowed tax deductions should be made available to the plant.

How do you approach the question of personnel?

We work with specialized regional educational institutions and have our own professional training programs.

What are the three main things that help to do business successfully in Russia, in your opinion?

Among the main ones, I've noticed the following three things: a desire to do business in Russia and invest in this market; knowledge of the local conditions — legislation, tax, a clear understanding of local customers' needs; and support from the regional and federal administrations in the form of transparency in tendering procedures and providing equal conditions for all market participants.

Expert opinion



General Director
of “Continental Kaluga” LLC

Georgy Rotov



Kaluga region provides an attractive package of financial incentives, and the whole team around the Governor really is configured so as to help investors and to facilitate the implementation of its project in the region.

How did Continental decide which region of Russia to invest in?

When choosing a site for the Continental tyre factory, we focused on three main criteria: financial indicators (the availability of concessions, land values), the location of the region with regard to the main markets (for us these are the Moscow and St. Petersburg markets) and infrastructure. In terms of infrastructure, we needed to take into account the technical infrastructure, which is essential for meeting project deadlines, and the social infrastructure, which make the region attractive for company employees.

Have you had any problems finding qualified personnel?

There is always a lack of well qualified personnel, so we need to fight for them. The most important aspect for us is that over the past 6–7 years, the Kaluga region has become a very attractive labour market for specialists. This is because a number of major investment projects and modern factories have begun to develop actively within the region. We are a foreign company and we need not just highly qualified and motivated employees, but people who speak English well. We have to search the entire country for such specialists. Kaluga is now one of the regions where they are keen to come.



General Director
of "Antipinsky Refinery" JSC

Gennady Lisovichenko



Can you tell us briefly about how the company started production in Russia: How did you choose the region?

Most of Russia's oil and natural gas resources are concentrated in the Tyumen region. However, the region did not refine any of its oil products and light oil products had to be imported from other regions. Therefore, the idea of building an oil refinery in the region was completely logical.

What support have the region given in the initial stages? What forms of cooperation between the regional authorities and representatives of the company have been the most productive?

We have received complete support from the regional authorities. When Sergei Sobyenin was the governor of the Tyumen region, he visited the site personally. His successor, Vladimir Yakushev, is now overseeing the construction

of the factory and supervising its modernisation. We actually opened the first stage of the factory together with him — he personally pressed the button to fill the first petrol tanker. I would in particular like to mention the concessions the authorities provided us in terms of property tax. They reduced it from 2% to 0.5%.

How have you dealt with the matter of personnel? Do you have any programs to attract employees?

The labour market in Tyumen doesn't always allow us to find the best employees, so we train our own specialists based on the company's needs. In May, 2013, we were granted an education license and a number of professional training programmes have been approved by Rostekhnadzor. We have also been working actively with a number of educational institutes. We have implemented

a grant programme named after Antipinsky Refinery. This gives students the possibility of practical placements in our factory with the possibility of subsequent employment.

What three things, in your opinion, are important for successfully doing business in Russia?

The application of leading technology, control and feedback at all stages of project implementation and, of course, financial resources. We have a dependable financial partner in Sberbank Russia, who have refinanced our credit portfolio and provided us with \$1.75 billion resources for a period of 10 years.



Deputy Governor of Tyumen region,
Director of the regional Department
of Investment Policy and State Support
for Business

Vadim Shumkov



Which organizations work to attract investment to the region and what are the main principles of your work with investors?

The government itself works to attract investment through a duly authorized official. The Tyumen region Investment Agency also works to this end. We base our work on comprehensiveness and a sincere desire to develop the region. By comprehensiveness, we mean providing full administrative support, investment site with infrastructure, tax relief and direct financial support.

What kinds of support exist for investors when they enter the region?

The most important kind is administrative support, but there are also state guarantees and exemptions from taxes on assets, income, land and transport, subsidies to aid in obtaining new equipment through hire purchasing and 7% investment

loans for 5 years. We offer this as part of a complete package and give investors the effect they need.

How do regional representatives interact with investors? What qualities do employees have to have in order for them to work to attract investment?

Investors aren't just bank balances to us, we base our interaction with them on the principles of simple human discussion. The main premise is to be constantly available to talk and readily able to handle any incoming queries. As for our employees, apart from professionalism and efficiency, we also expect patriotism from them. It's a lot easier to be a patriot today than it was 100 years ago, when you had to fight on the front and risk your life. Right now, being a patriot means not taking money out of the country, building beautiful and solid

infrastructure and working towards developing the country with all your strength – from financial participation to working with your own two hands.

How do you stimulate development in investment activities and business in the region?

It's easy and hard at the same time. Easy because there's a logical set of actions which inspire people to invest their funds. Hard because the conditions are changing all the time. The government's main task in the near future is to work with internal investors, create profitable conditions for them and convince them to invest their funds in their own economy instead of investing money in offshore companies. And to encourage people to stop talking and get down to business, each in their own way.



Director of Knauf Insulation
factory in Tyumen

Svetlana
Shuvalova



Why did you choose the Tyumen region to start production? What criteria did you focus on?

The “KNAUF Insulation” factory in Tyumen is our second factory in Russia. We chose this region for its high level of energy autonomy and for its per capita GRP indicators. The local government also pays particular attention to effective management, which is also important.

What regional support measures have been most effective?

The investment policy of the Tyumen region is based on careful attention not only to the volume of investments, but their quality as well. The administration has actively supported investors who are capable in the long term of strengthening regional leadership in the area of energy efficiency, nature conservation and the growth in social comfort.

How have you dealt with the matter of personnel? Do you have any programmes to attract employees?

The kernel of the factory’s personnel, 70 persons, was transferred from the former

“Tisma” factory. We developed a training programme for them including visits to Knauf group factories in Europe. At the moment we also have 2 highly qualified foreign specialists from Europe working at the factory.

What three things, in your opinion, are important for successfully doing business in Russia?

A strategic view of the company’s future, highly qualified personnel and support from the regional government.



ASI's support

Success stories

The relations between the business community and the authorities in Russia are evolving in order to create an environment within which the state can receive a feedback from entrepreneurs and react quickly to their proposals. This process manifests itself in many forms — for example in a way the ASI supports unique business projects and talented entrepreneurs. The Agency does it free of charge, as with every other form of support it provides. But there is an important criterion in the process of selecting the projects: the existence of a systemic problem — by solving it, we create a precedent that would accelerate the development of the entire sector.

Entrepreneurs who turn to the ASI can count on three types of support:

- **Administrative** — help in communication with the authorities.
- **Methodological** — access to the Agency's expert council, consultations about getting business incentives and about attracting investment.
- **Informational** — promotion of projects in the mass media and at the ASI events.

An indicative example is the construction of a factory for new generation high-voltage conductors in Yaroslavl region by the Russian-Belgian company SimRoss-Lamifil. Investors faced a problem: despite the interest in their future products within the energy sector, the lack of standards governing production and usage of such conductors placed serious limits on their marketing. ASI helped the company cooperate with Rosstandart, introduce new standards and obtain approval and backing of the Ministry of Industry and Trade, the Ministry of Energy and the Ministry of Economic Development — as well as attract external financing.

Support for the SimRoss-Lamifil project allowed to create the legal basis for an emerging market niche and facilitated the introduction of new technologies throughout the country.

Since its creation the Agency for Strategic Initiatives has been providing support in different forms to more than 340 projects in the areas of business, education and social sphere. 33 of them secured the Agency's backing in the 3rd quarter of 2014 alone.



Administrative support



Methodological support



Informational support

New business projects which received support:

Ufa. Construction of the O. F. Tverdovskii ice centre.
Project cost — RUB 303.5 mln.



Moscow region. Creation of medical centre and doctors "school" based on own neuro-rehabilitation technology. Project cost — RUB 3 260 mln.



Altai region. Construction of the skiing and hotel complex.
Project cost — RUB 5831 mln.



Voronezh. Production of innovative anaesthesia and respiratory equipment.
Project expansion cost — RUB 261 mln.



Saint-Petersburg. Integrated solution for rental and service of municipal passenger transport.
Project cost — RUB 780 mln.



Novosibirsk. Thermoland — innovative system for insulating facades.
Project expansion cost — RUB 80 mln.



Moscow. Software and hardware complex "Universal Switching node".
Project expansion cost — RUB 100 mln.



Moscow. Organization of production of microchips for determining blood immunoglobulins.
Project expansion cost — RUB 232 mln.



Tomsk. Expansion of production of orthopaedic and dental implants.
Project cost — RUB 169.3 mln.



Moscow. Development of technology for the plasma treatment of metals.
Project cost — RUB 165 mln.



Krasnodar. Bio-technology for cleansing heating systems and heating equipment.
Project expansion cost — RUB 16 mln.



Nizhny Novgorod.
Construction of dairy farm.
Project cost — RUB 813 mln.





Social projects

Business for good

A social business is known to share the traits of an NGO and a firm. It's created as a non dividend company solving specific social problems. But it has to generate revenues, cover costs and in the long run — grow and expand. At least this is how things are supposed to be. But de facto such businesses are often in need of external support. The ASI helps socially-oriented projects overcome administrative barriers, provides methodological and informational support and does a lot more to further social business development in Russia.

Dealing with a problem often starts with a request from a project leader, outlining specific difficulties.

IDENTIFYING GIFTED CHILDREN AT AN EARLY AGE (INCLUDING GIFTED CHILDREN WITH DISABILITIES).

What is the problem: lack of early development programs in pre-school education.

What was done: when such program was introduced the ASI helped it get an approval of the Russian government. The Agency also engaged the experts who assisted in putting an educational program together. As a result the project was successfully tried in several Russian regions, with more than 400 institutions taking part.

Since its inception the Agency has supported over 100 social projects.

PREVENTING NEWBORNS BEING ABANDONED BY MOTHERS IN CRISIS SITUATIONS

What is the problem: up to 13 000 infants are being left in maternity homes or get abandoned in the first 6 month after birth.

What was done: the ASI provided support to the charity fund trying to introduce a model program of preventing abandonment of newborns. Close cooperation helped promote the cause in 28 regions, keeping nearly 500 infants in their families.

CREATING CONDITIONS FOR DEVELOPMENT OF PRIVATE RETIREMENT RESIDENCES

What is the problem: state homes for seniors can't cope with the growing numbers of people in need of decent care after retirement.

What was done: a private initiative aimed at creating a number of premium retirement homes is being supported by the ASI. Attaining project expansion requires an implementation of several measures, including changes in laws governing the social services sector. Such amendments were prepared, but are yet to be approved. In the meantime 3 private senior centers were built in the project's framework and their model is ready to be replicated elsewhere.

Dmitry Medvedev,
the Prime Minister
of Russia

« There are many examples of socially responsible business initiatives in Russia. The best practices of cooperation between the state and the business deserve support and proliferation. Russian government will continue to pay a lot of attention to this issue. »



Prospective view WorldSkills



An attractive business climate is unthinkable without suitably qualified personnel. Three years ago, aimed at raising the prestige of blue-collar occupations, the ASI's supervisory board approved the organisation of the WorldSkills national championship. It is an international movement that ensures the dissemination of high professional standards in different countries. In 2012 Russia became part of the WorldSkills International association.

Since then Russia has been conducting WorldSkills championships every year. This allowed to attract not only Russian but global partners such as Rostec, United Aircraft Corporation, Russian Helicopters, Cisco, Siemens, BMW, FES TO, BASF, LincolnElectric and others. In November 2014 a championship was conducted in compliance with WorldSkills procedure that included the employees of 85 high-tech companies only.

Since 2012 60 organizations from the Russian Federation have applied to take part in WorldSkills Russia (WSR). As the local authorities note, the progress achieved with the WSR is more than apparent. The participating colleges have noted an increase in applications. For example, applications for the Pervouralski Metallurgical College have risen from 1 to 6 persons per place.

In addition to popularising the professions, the movement also enables the application of international professional standards throughout the country. Without these standards it will be impossible to create a competitive economy.

Global education

In the summer of 2014, the “Global Education” program began in Russia — managed by the Ministry of Education and Science and the ASI. This initiative’s purpose is to expand the pool of highly qualified personnel in engineering, social, medical, scientific and high tech industries. The program is about giving financial support to the Russian citizens studying abroad and requiring them to work in one of the selected Russian companies for three years afterwards.

The list of higher education institutes includes more than 200 colleges and universities in 27 countries, such as the Massachusetts Technological Institute, Harvard, Cambridge, Oxford, and other universities.

As a result of this programme, the leading Russian institutes, scientific organisations, medical academies, high tech and industrial companies would be able to employ over 1500 specialists who have received world class education and earned degrees from the world’s most highly-regarded universities.

Among educational institutions taking part in the project are the following:



USA
Boston
university



Singapore
National University
of Singapore



Germany
Goethe University
Frankfurt am Main



Sweden
KTH Royal Institute
of Technology



France
École Normale
Supérieure



China
Peking
University



SEOUL NATIONAL UNIVERSITY

Korea
Seoul National
University



Ireland
Trinity College
Dublin



Australia
University
of Melbourne



Belgium
Bruxelles
Free University



Israel
Tel Aviv
University



Switzerland
University
of Geneva



UK
University
of Oxford



Brazil
University
of San Paulo



Japan
Tokyo Institute
of Technology



Looking forward

New professions

In just a few years' time the labour market will witness the appearance of professions about which no one suspects at the moment. The ASI has compiled an almanac of occupations that would either emerge or disappear in the coming 15-20 years. It will help define which spheres will develop actively, what new technology, products, management practices will appear, and what specialists will be needed by employers in the future — so that the students of today would be able to choose their dream job of tomorrow.

**New
professions
atlas**

The Atlas presents 19 spheres and 140 possible future professions. Here are just some of them.



**DRONE AIRCRAFT
INTERFACE
DESIGNER**

**HEALTHY AGING
CONSULTANT**

**3D-PRINTING
ENGINEER IN
CONSTRUCTION**

**BIG DATA
MODELS
DEVELOPER**

**SPACE
GEOLOGIST**

**TIME-
BROKER**

**CHILDREN
"FUTURE
VISION"
EXPERT**

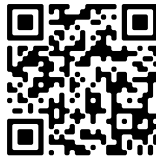
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