

## **DECREE**

### **OF THE PRESIDENT OF THE UDMURT REPUBLIC**

#### **On Approval of Investment Memorandum of the Udmurt Republic**

1. Approve the enclosed Investment Memorandum of the Udmurt Republic.
2. The Ministry of Economy of the Udmurt Republic shall monitor fulfillment of provisions of the Investment Memorandum of the Udmurt Republic.
3. Declare void Decree of the President of the Udmurt Republic dated May 21, 2012 No 91 “On Approval of Investment Memorandum of the Udmurt Republic”.
4. This Decree comes into force from the date of its official publishing.

President  
of the Udmurt Republic

A.A. Volkov

Izhevsk  
17 December 2013  
No 241

## **The Investment Memorandum of the Udmurt Republic**

### **1. General Provisions**

The Investment Memorandum of the Udmurt Republic (hereinafter – the Memorandum) declares the main development priorities of investment activity in the Udmurt Republic.

The Memorandum is aimed at establishment of favorable investment image of the Udmurt Republic and securing of information openness of the investment activity in the Udmurt Republic.

### **2. Brief Information about the Udmurt Republic**

#### **2.1. Geographical location**

The Udmurt Republic (Udmurtia) belongs to the Volga Federal District and located in the western part of the Middle Ural in the interfluvial area of the Kama and its right tributary Vyatka. The territory of Udmurtia occupies the area more than 42 thousand square kilometers that composes 0.25% of the total area of the Russian Federation, it exceeds such countries of Western Europe as Belgium, Switzerland and approximately equal to the area of Denmark.

The territory length from north to south is 297.5 km, from west to east – 200 km. The total length of borders is 1,800 km.

Location of the Republic in the middle and northern latitudes and absence of seas or oceans in close proximity determine temperate continental climate with cold snowy winter and warm summer.

On the west and on the north the Udmurt Republic borders with the Kirov Region, on the east – with the Perm Territory, on the south-east – with the Republic of Bashkortostan, on the south – with the Republic of Tatarstan. Such neighborhood opens wide prospects for mutually beneficial economic integration and determines relatively high level of competition in fight for investments, marketing outlets, labor forces.

Distance between the capital of the Republic, Izhevsk city and Moscow is 1325 km, St Petersburg – 1904 km, Yekaterinburg – 800 km, Kazan – 395 km.

The Udmurt Republic has all kinds of transport communication with other regions of Russia. The transportation system includes 779 km of railways, 6313 km of public roadways including 6039 km of roadways with hard surface, 180 km of navigable river routes opening onto the Caspian, Black and Baltic seas. The most important river ports are – Kambarka, Sarapul. Navigation along the Kama River is executed within the republican limits. Navigation duration is – 6.5 months.

Airport of OJSC “Izhavia” conforms to “B” class and it has artificial runway with asphalt coating with length of 2,500 meters conforming to the first category of International Association ICAO.

The territory of the Udmurt Republic is crossed with 10 main gas pipelines supplying gas to the Central and European parts of the Russian Federation and a considerable part of export supplied into countries of Eastern and Western Europe.

4 main oil pipelines (729 km) go across the territory of the Udmurt Republic: transit “Surgut-Polotsk” (205 km), “Kholmogory-Klin” (205 km) as well as regional – Kiengop-

Naberezhnye Chlny” (252 km), “Nozhovka-mishkino-Kiengop” (67 km), securing transportation of oil extracted in Udmurtia.

## 2.2. Population

Udmurtia is a multi-national republic with representatives of more than one hundred seventy nationalities and ethnicities living here. The Russians, Udmurts and Tatars are the most numerous of them.

The population of the republic is more than 1.5 mln people of which 69% accrue to citizens of towns and urban-type settlements. 62% from the total population of the Udmurt Republic is in active working age.

The population density is 36 people per sq. m that exceeds the average value in Russian more than in 4 times.

## 2.3. Natural Resources Potential

As of January 1, 2013 forestry lands the portion of which amounts to 48.3% as well as agricultural lands – 44.4% prevail in the structure of land reserves of Udmurtia.

Sub-soil assets of Udmurtia are rich for mineral resources. Oil, peat, construction materials are of maximum value.

Deposits of black and brown coals have been discovered. The largest peat deposits are located in basins of the Kilmez River and the Cheptsya River. Limestone, clays, sands, gravel are widespread.

For the first time commercial oil was produced in the Republic in January, 1955. Annual volume of oil production is more than 10 mln ton and according to this indicator Udmurtia is the 13<sup>th</sup> in Russia.

Nature of Udmurtia is rich and picturesque. Udmurtia is located in the zones of southern taiga and mingle woods which occupy more than 40% of its area. The most common trees are fir-tree, pine, birches, linden trees, aspens, oak trees are also common.

The flora of the Republic is presented with more than 1,700 species of plants.

The fauna of Udmurtia is rather rich: elks, boars, bears, foxes, martens, ermines, badgers, wolves, hares and other species of animals live in the forest. The common birds are hazel grouses, wood grouses, black cocks, partridges and others. Breams, roaches, perches, nerflings, and dogfish live in rivers.

All rivers in Udmurtia belong to the basin of the Kama River, the most large of them are the Izh, Cheptsya, Vala, Kilmez. Six water storage reservoirs are located in the territory of the Udmurt Republic.

Udmurtia has mineral springs which healing properties are used by health resort institutions as well as a large number of underground sources of drinking water and it is the reason why Udmurtia is called the “area of springs”.

## 2.4. Economic Potential

The economic basis of the Udmurt Republic is industry that provides 46% of the gross regional product.

History of the processing industry of Udmurtia started with foundation of plants on the Izh and Vyatka rivers in the early 17<sup>th</sup> century.

Currently the Republic has about 300 large and medium industrial enterprises with modern equipment and skilled personnel. Good manufacturing practice at many plants was established in the process of fulfillment of large military orders and confirmed with certificates of conformity to international quality standards ISO 9000 and ISO 14000. Designing facilities, intellectual potential of defense enterprises are competitive advantages of the Republic.

Udmurtia produces 95% of Russian shot-guns and sporting guns, rocket-and-space equipment, equipment for nuclear power plants, motor cars, medical equipment, oil and gas equipment, rolled steel, communication tools, radio electronics as well as consumer goods.

Thermal power plants provide 32% of demand of the Udmurt Republic for electric power and about 60% of demand for thermal power. The remaining part of heat generation accrue to boiler plants of the housing and utilities complex of municipal entities and boiler plants of industrial enterprises. Udmurtia receives 68% of electric power from the neighboring regions and the Federal Wholesale Electric Power Market (FWEPM).

The main utilized fuel and power resources in the Udmurt Republic are natural gas and black coal.

Udmurtia is accounted for 1.4% of the all-Russian and 5.7% of gross agricultural output of the Volga Federal District.

Natural and climatic conditions allow developing diversified agriculture, produce food stuff and raw materials for processing industry.

The major part of plough-lands is soddy-podzolic soils. As of January 1, 2013 the total area of agricultural lands composes more than 1.8 mln ha including 1.4 mln ha of plough-lands.

Collective business patterns based on privately owned land and property prevail. About 350 large, medium and small agricultural entities operate in the Republic.

The Republic fully satisfies its demands for the food staples. 7.1% of milk, 6.7% of meat, 8.2% of eggs produced in the Volga Federal District accrue to its portion.

### 3. Credit Rating

Since 2004 international rating agencies have assigned crediting rating which confirm investment attractiveness and high economic potential of the Udmurt Republic.

In November, 2013 Rating Agency Fitch Ratings assigned the Udmurt Republic with crediting ratings at the level of Aa-(rus), BB according to the national and global scales correspondently. All ratings have “stable” forecast.

#### Credit Rating of the Udmurt Republic

Assignment date	Long-term rating	Rating definition	International agency
<b>Long-term rating according to the global scale</b>			
21.11.2013	BB	stable	Fitch Ratings CIS Ltd.
28.11.2012	BB+	stable	Fitch Ratings CIS Ltd.
01.12.2011	BB+	stable	Fitch Ratings CIS Ltd.
06.12.2010	BB+	stable	Fitch Ratings CIS Ltd.
24.11.2009	Ba1	stable	Moody's Investors Service
19.09.2008	Ba1	stable	Moody's Investors Service
<b>Long-term rating according to the national scale</b>			
21.11.2013	Aa-(rus)	high credit rating	Fitch Ratings CIS Ltd.
28.11.2012	Aa(rus)	very high credit rating	Fitch Ratings CIS Ltd.
01.12.2011	Aa(rus)	very high credit rating	Fitch Ratings CIS Ltd.
06.12.2010	Aa(rus)	very high credit rating	Fitch Ratings CIS Ltd.
24.11.2009	Aa1.ru	very high credit rating	Moody's Investors Service
19.09.2008	Aa1.ru	very high credit rating	Moody's Investors Service

15.12.2006	Aa1.ru	very high credit rating	Moody's Interfax
12.07.2005	Aa2.ru	very high credit rating	Moody's Interfax
20.12.2004	Aa3.ru	very high credit rating	Moody's Interfax
06.10.2004	A1.ru	Credit rating is above average	Moody's Interfax

#### **4. Priorities of State Investment Policy**

The main objective of the state investment policy is formation of congenial investment climate enabling to increase inflow of investments into the Udmurt Republic to the benefit of its stable social and economic development.

The following major tasks are solved in order to achieve the stated objective:

improvement of the legal and regulatory framework in the sphere of investment activity in the Udmurt Republic;

enhancement of performance efficiency of the regional investment infrastructure and establishment of its missing elements;

creation of conditions for wide utilization of the public and private partnership for attracting investments;

sustaining a positive brand image of the investment-attractive region, promotion of the Udmurt Republic at the Russian and international investment market;

assistance in training of highly-qualified personnel in the sphere of investments;

finding directions for improving procedures and conditions of investments' attraction;

creation and updating of the integrated base of investment projects of the Udmurt Republic;

assistance in implementation of economically efficient investment projects with high synergetic effect for different economic sectors and (or) especially important for the social and economic development of the Udmurt Republic;

support and stimulation of investment activity in the Udmurt Republic.

#### **5. Investment Projects and Sites**

The unified base of investment projects and sites of the Udmurt Republic (hereinafter – the project base) is being formed and kept for the purpose of information support of investors and assistance rendering to the companies in the Udmurt Republic searching for investors for investment projects' implementation.

The project base is formed and kept by the Ministry of Economy of the Udmurt Republic and presents passports of investment projects and sites.

Recent version of the project base is located at the investment portal of the Udmurt Republic [www.udminvest.ru](http://www.udminvest.ru).

#### **6. State Support of the Investment Activity**

##### **6.1. Forms of State Support of Investors**

State support of the investment activity in the Udmurt Republic is executed by the government authorities in compliance with the legislation of the Russian Federation and the legislation of the Udmurt Republic in the following forms:

reduction of corporate tax rate paid to the budget of the Udmurt Republic from 17% to 13.5%;

immunity from corporate property tax;

subsidies for a part of interest charges on loans and a part of expense for lease payments received for implementation of investment projects;

granting subsidies to small and middle-sized innovative companies for compensation of expenses related to development and implementation, goods' production, works' performance and services' rendering;

budgetary provisions of the Investment Fund of the Udmurt Republic for implementation of investment projects under conditions of the public and private partnership;

granting investors with deferral, payment by installments, tax credit, investment tax credit for tax payments and other statutory charges payable to the budget of the Udmurt Republic;

providing investors with state guarantees;

inclusion of investment projects into the unified base of investment projects and sites of the Udmurt Republic;

assigning investors with status "Best Investor of the Udmurt Republic" and (or) "Best Exporter of the Udmurt Republic";

consulting, informational and organizational support of investment projects by supporting petitions and applications of project proponents to the government agencies and municipalities, crediting organizations and other organizations in the Udmurt Republic concerning assistance in implementation of investment projects, conducting of the state expert appraisal of investment projects, arrangement of seminars, conferences on the problems of investment activity exercising, forums, fairs and exhibitions of investment projects, placement of information about investment projects, mass media, on the three-language (Russian, English, German) Investment Portal of the Udmurt Republic.

## 6.2. Organizational Support of Investors

In 2006 the Council for Investment Activity (hereinafter – the Council) headed by the President of the Udmurt Republic was established in the Udmurt Republic. The Council is the constancy and expert body and it is formed from representatives of the bodies of state power of the Udmurt Republic and participants of the investment activity in the Udmurt Republic for the purposes of protecting investors' interests and proposals' elaboration for priority trends and forms of state support of the investment activity, implementation of projects of public and private partnership in the Udmurt Republic.

In 2010 the working group for reviewing investment projects of priority significance for social and economic development of the Udmurt Republic headed by the Chairman of the Government of the Udmurt Republic was established in order to render assistance in implementation of investment projects and attracting investments into the Republic.

The regulations for support of investment projects according to the one stop principles is approved for the purposes of liaison of the executive bodies of the state power of the Udmurt Republic on support of investment projects and creation of favorable environment for exercising investment activity in the territory of the Udmurt Republic.

## 6.3. Infrastructure of State Support of Investment Activity:

Budgetary Institution "Center of Economic Analysis and Anti-Crisis Management" renders organizational and methodological support of investment projects' implementation;

Autonomous Non-Commercial Organization "Agency of Investment Development of the Udmurt Republic" carries out search for and promotion of investment projects, assistance in organization of their financing;

Udmurt State Fund for Small Business Support renders financial support to small and medium-sized entities by granting loans and micro-loans;

Small Business Loan Guarantee Fund of the Udmurt Republic is implementing the Program on provision of loan guarantees enabling the entities of small and middle-sized entrepreneurship not having sufficient collateral to obtain banking credits and loans;

Autonomous Institution of the Udmurt Republic “Republican Business-Incubator” provides on a competitive basis premises and office appliances to emergent entrepreneurs, renders consultancy and informational services;

Regional Nano-Industry Center of the Udmurt Republic joins forces of scientists and industrial specialists in creation of favorable conditions for development of nano-technologies in the Republic, development of competitive products on their basis;

Technology transfer centers in the leading educational institutions and scientific and research institutions of the Republic ensure application of scientific and technical developments for production purposes.

6.4. Basic normative and legal acts regulating stimulation and state support of the investment activity:

Law of the Udmurt Republic dated March 5, 2003 No8-RZ “Concerning Tax Privileges Related to Exercising Investment Activity”;

Law of the Udmurt Republic dated November 27, 2003 No55-RZ “On the Corporate Property Tax in the Udmurt Republic”;

Law of the Udmurt Republic dated June 22, 2006 No 26-RZ “Concerning State Support of Investment Activity in the Udmurt Republic”;

Law of the Udmurt Republic dated October 9, 2009 No39-RZ “Concerning Participation of the Udmurt Republic in Public and Private Partnerships”;

Law of the Udmurt Republic dated April 3, 2013 No14-RZ “Concerning Investment Fund of the Udmurt Republic”;

Decree of the President of the Udmurt Republic dated November 23, 2006 No175 “Concerning the Council on the Investment Activity”;

Decree of the President of the Udmurt Republic dated April 10, 2012 No68 “Concerning the Investment Authorized Agent in the Udmurt Republic”;

Government Program of the Udmurt Republic “Creation Conditions for Sustainable Economic Development of the Udmurt Republic (2013-2015)” approved by UR Government Regulation dated April 15, 2013 No 161;

Republican Target Program “Development of Innovative Activity in the Udmurt Republic for 2010–2014”, approved by UR Government Regulation dated July 6, 2009 No 182;

Republican Target Program “Creation of favorable Conditions for Attracting Investments into the Udmurt Republic for 2010-2014”, approved by UR Government Regulation dated September 7, 2009 No247;

Udmurt Republic Government Executive Order dated August 22, 2005 No126 “Concerning the Regulations for the Contest of Investment Projects for the Right to Receive Corporate Income Tax and Corporate Property Tax Relief”;

Udmurt Republic Government Executive Order dated October 16, 2006 No 110 “On Approval of the Regulations for the State Register of Investment Projects of the Udmurt Republic”;

Udmurt Republic Government Executive Order dated March 5, 2012 No77 “Concerning Measures Aimed at Execution of the Law of the Udmurt Republic “On Participation of the Udmurt Republic in Public and Private Partnerships”;

Udmurt Republic Government Regulations dated May 2, 2012 No183 “On Approval of the Regulations for the Procedure of Subsidies for Refunding of a Part of Interest Rate on Credits

and a Part of Expenses for Lease Payments Granted to Economic Entities of the Udmurt Republic Using the Funds of the Budget of the Udmurt Republic”;

Udmurt Republic Government Regulations dated June 10, 2013 No 244 “On Approval of the Regulations for the Investment Fund of the Udmurt Republic”;

Udmurt Republic Government Executive Order dated December 2, 2013 No 553 “On Approval of the Regulations for Support of Investment Projects Being Implemented and (or) Planned for Implementation in the Territory of the Udmurt Republic According to the One Stop Principle”;

Udmurt Republic Government Executive Order dated March 21, 2011 No177-r “Concerning Actions for Enhancement of Investment Activity and Efficiency of Investment Processes’ Management”;

Udmurt Republic Government Executive Order dated May 10, 2011 No 344-r “Concerning the Liaison Protocol of the Executive Bodies of the State Power of the Udmurt Republic Solving the Task of Increasing the Volume of Investments and Flow of Revenues into the Budget of the Udmurt Republic”;

Udmurt Republic Government Executive Order dated June 15, 2013 No 453-r “On Approval of the Roadmap for Implementation of the Standard of Activity of the executive Bodies of a Constituent Entity of the Russian Federation on Congenial Investment Climate Ensuring in the Udmurt Republic”.

## **7. Guarantees**

For all investors regardless their types of ownership including foreign ones are guaranteed: equal rights for exercising investment activity and protection of investments;

state support of the investment activity in compliance with the procedure and under conditions established by Republican laws as well as the normative legal acts accepted in their conformance;

proper settlement of a dispute occurred in relation to exercising investing and entrepreneurial activity in the territory of the Udmurt Republic;

informational openness of decision-taking affecting the terms of investment activity exercising;

provision with information essential for decision-taking about investments;

protection from illegal acts from the part of bodies of the state power of the Udmurt Republic;

protection from acceptance of normative legal acts of the Udmurt Republic aggravating the situation of investors in the territory of the Udmurt Republic.

## **8. Contacts**

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