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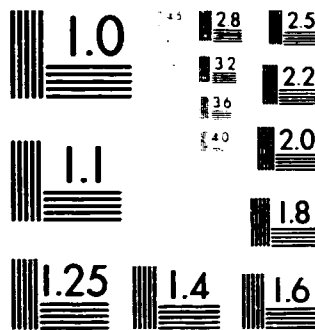
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**ASSISTANCE IN THE PREPARATIONS FOR THE UNIDO INVESTMENT
FORUMS IN ST.PETERSBURG/NOVGOROD (SEPTEMBER 1994)
AND VIENNA (JULY 1995).**

CLT 94/045

THE RUSSIAN FEDERATION

Technical report: Preparatory activities of the Consultant¹

**Prepared for the Government of the Russian Federation by the United
Nations Industrial Development Organization.**

**Based on the work of R.Gumen
Consultant in Investment Promotion**

Beckstopp. off. Mr. Kötter

United Nations Industrial Development Organization

**Vienna
1995**

¹ This document has not been edited.

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I. INTRODUCTION

Investment Promotion Forum in St.Petersburg and Novgorod was the second in a series of Russian investment fora, organized by UNIDO and the Government of the Russian Federation. The forum activities were concentrated on investment projects involving high-tech assets, especially former military production facilities earmarked for conversion.

Following the recommendations made by UNIDO and the Russian Government investment projects had to be jointly prepared by national experts and UNIDO Moscow Centre staff members.

In order to assist national experts in the preparation of Industrial Investment Project Profiles (IIPP) to be submitted to the Conference the UNIDO consultant was contracted to review the profiles prepared by national experts, check for completeness and consistency of the information, clarify the proposals. He had to participate together with UNIDO international experts in the selection of those projects deemed viable after screening.

As the second part of the assignment the UNIDO consultant also was requested to assist in the preparation for the future investment forum to be held in 1995 based on project proposals of Sakha Republic, Krasnoyarsky Krai and Orenburg Region. He was expected to prepare a review of investment climate, obstacles and opportunities existing in the regions concerned according to the job description (see annex 1).

The assignment was scheduled for two months with a starting date on the 25th of July 1994. Due to unexpected circumstances the programme of the activity was split into two parts.

During the assignment, the consultant considered it important to have an accurate view of what investment opportunities exist in Russia and in particular regions of the Russian Federation in order to explore business cooperation between Russian and foreign enterprises.

II. THE PREPARATORY ACTIVITY FOR THE UNIDO INVESTMENT FORUM IN ST.PETERSBURG/NOVGOROD

2.1. Socio-Economic and Institutional Context.

The transition to a market economy in the Russian Federation is focussing on development and promotion of concrete projects financed through various resources including foreign direct investment. But the impact of this development is confined to changes characterized by widespread liberalization in such areas as privatization, investment climate, arrangements for small business as well as financial stabilization of the economy. The analysis and evidence presented seek to improve the understanding of new environment developed in the country during 1994.

The year of 1993 turned out to be decisive in the transition of the Russian economy to a contemporary economic model. As it is well known, the liberalization of prices failed to produce a positive effect, and the Government was forced, at the threat of uncontrolled disintegration of industrial production to sharply liberalize its monetary policy, carry out the mutual redeeming of non-payment debts of enterprises and increase budget expenditures.

The Government concentrated the efforts at moderately strict monetary policy, institutional changes, selective structural and investment policy and acceleration of social policy. It was planned to slow down economic slump; to stabilize investments; to bring down budget deficit; to reduce inflation; to stop rouble devaluation; to widen direct private investments; to speed up privatization; to improve foreign trade links.

The Government of Russia adopted a new decree on "Measures of Liberalization of Foreign Trade". According to this decree the range of goods for the export of which quotas and licenses are not needed. Under Governmental control there is only a limited group of important raw materials.

The system of import regulation for 1994-1995 included the procedure for calculating the customs price of imported goods, the control of their security, the order of determining the country of origin of imported goods, the regulation of import by tariffs and taxes, etc. At present the excise rates in force have been differentiated to the size of 10 to 250 per cent of the customs value of imported goods. The toughening or the liberalization of the import regime in the future will largely depend on new import tariffs which are being considered now.

The policy in the sphere of tariff regulation of export in 1994 was formulated on the basis of the same factors as the policy in the sphere of its administrative regulation. The export of a number of raw material commodities, which formerly fell under administrative and economic control by the state, doesn't at present require direct or indirect limitations: prices for them on the internal market have levelled with world ones or even exceeded them, which leads to identical results when selling them on both the internal and external markets. In compliance with the Law "On Customs Tariff" the term of validity of quantitative restrictions of export and of its tariff regulation is limited by December 31, 1995.

On October 12, 1993 the Central Bank and the State Trade Committee of Russia approved

Joint Instruction No 19 ar.d 01-20/10283, specifying the order of the return of hard currency profit's control from the export of goods to the Russian Federation.

The system of control is rather complicated, because it must unite all Russian members of an export bargain into one chain: exporters - customs - banks. The Instruction provides control documentation which allows first to trace commodity's crossing the border and then the return of currency profit to Russia. In these conditions the importance of banks' agents considerably grows, because now they will actually fulfill the functions of currency control agents, especially when sanctions, provided by the Instruction, are imposed.

The other direction of strengthening the export control by the state has been dictated by "external" factors. On December 2, 1993, the government's Act No 1248 "On Measures, Regulating Trade Disputes, Connected with the Export of Russian Goods" was passed. In accordance with it, the state will carry out control over the activities of those exporters, whose unfair trade practices lead or may lead to the introduction of anti-dumping or other restrictive measures by importing countries with regard to Russian goods. This control will include the introduction of additional quotas to the export of those commodities, with regard to which foreign importers introduce restrictive measures. It will also include the establishing of a minimum level of export prices and the restriction of the number of exporters. The Ministry of Foreign Economic Relations is authorized to cancel export licenses of those Russian exporters, regardless of their forms of property, which happen to violate these regulation.

2.2. Support to Conversion

The conversion process initiated in 1989 is one of the most complicated and most important task. Based on different estimations, the bulk from 1/5 to 1/3 of industrial potential is to be involved. According to the Russian Institute of Global Studies the main problems are connected with the inadequate attitude and simplified approach of the Agencies responsible for the conversion policy and methodology. The problem is aggravated by the transition state of the Russian economy.

The typical defense enterprise represents a very huge manufacturing plant which also incorporates research and design bureaus. The management of the plant is organized on the base of the requirements of the centralized planning system. All the factors make negative influence on the reorientation and adaptation to the market economy conditions. From the other hand the enterprise is usually equipped with modern production machinery and qualified technical personnel.

In the circumstances using available methodology and instruments it is possible to assist the conversion enterprises in the following areas:

- development of the enterprise's conversion programme;
- forming of the market oriented mentality and economical approach among the managers of the enterprises;
- identification, formulation and promotion of investment projects.

During the preparation of the Forum "Investment, Conversion & Russian High-Tech", held

on September 25-30, 1994 more than 80 former defense enterprises were involved in the presentation procedure. Many managers of enterprises used this opportunity to upgrade their economical knowledge and perceived basic rules of international cooperation.

Considerable potential of unused technologies and inventions which are highly appraised in the West is also related to the comparative advantages of Russia. According to estimates made by experts, only export of original technologies and inventions guarantees up to 60 bln.\$ for the country, great technological potentialities are connected with conversion being realized in Russia, therefore unique technologies can be considered as the Russian partner's contribution. Since 1994 the information open for publication on the Russian design and technological works, mainly of defense enterprises have been prepared.

For the last two years a great number of conversion programs including 14 federal programs such as "Regeneration of the Russian Fleet", "Development of Civil Aviation Aircraft and Equipment", "Design and Production of New Types of Medical Equipment" have been worked out in principal and partly launched into practical realization. Several regional conversion programs in Moscow, St. Petersburg, Udmurtia, Sverdlovsk and Rostov regions have been developed and are now under implementation. Conversion programs should have serious feasibility studies, independent expertise and should be financed on the competition base. Commercial banks may be involved in distribution of conversion loans.

For successful solution of conversion problems in conditions of not sufficient state financing, it is necessary to use actively resources of joint stock companies, banks and foreign investments. Foreign investments, not only those from IMF and EBRD but also from companies interested in technology achievements could provide assistance in realization of conversion.

The most rational form of accumulation of funds aimed at financing of conversion would be creation of regional and republic funds. The state support of such funds could be given through different favorable taxes and financing. To overcome this stumbling block it is necessary to develop and approve on the governmental level a typical statute of regional fund for conversion development.

It is also necessary to provide enterprises with loans for pledged assets with formulation of the documents corresponding with hypothecation legislation or obligations of insurance companies. The Ministry of Economy of the Russian Federation has approved the respective guidelines.

2.3. Activities in the Organization of the UNIDO Investment Forum.

On the initiative of UNIDO and the Permanent Mission of the RF made in November 1993 the Russian Government decided to organize an Investment Forum in St. Petersburg and Novgorod in September 1994. The decree on this matter was signed by Mr. V. Chernomyrdin, Chairman of the Government of the RF and the Conference Organizing Committee was created in January 1994. 50 mln. rubles was provide from the Russian Government to support the Conference. The UNIDO Consultant was included in the Conference Organizing Committee and as a member of the Committee he provided all necessary information (IIPP and relevant instructions in Russian and English versions) to all parties concerned in January

1994. Actually in February 1994 the preparation of the IIPP forms in St.Petersburg, Novgorod and Moscow Regions started by local regional authorities and by representatives of different Ministries.

The main aim of the conference preparation was to stimulate the process of conversion of defence industry with emphasis on Russian Hi-Tech and to increase industrial cooperation of Russian companies with foreign partners.

After the signing of two Trust Fund agreements between UNIDO, "ABV Leasing and Hotelinvest GESMBH" (March 1994) and "H.Hevmann International CEE" (May 1994) the national Russian experts have been selected by UNIDO and briefed in Moscow in July 1994. Following the work programme (see a detailed timetable) the meeting concerning organization of the Conference has been prepared by the consultant in 1-2 August 1994 (see the list of Participants).

All necessary cooperation for the national and international UNIDO Experts have been provided during the all meetings, including sessions to review and to screen the IIPP forms in Moscow and St.Petersburg. In addition to that the guidance to the International Experts and assistance in visiting selected project sponsors have been rendered during their work in Moscow.

2.4. Assistance in the Preparation of Industrial Investment Project Profiles

In accordance with the job description the UNIDO Consultant arranged a number of working meetings with national experts assigned to the project. Detailed instructions and guidance have been given to the national expert concerning the preparation of IIPP forms.

All the profiles prepared by the national experts have been checked for completeness and consistency of the information. General suggestions to the national Experts have been prepared and provided to them and to HQs as listed below.

The national experts during their visits to the companies and the preparation of the IIPP forms have been requested to pay particular attention to the following aspects:

- a). First of all that the title of the project should be attractive to foreigners and show the main target of the project.
- b). The other most important part of the project profile was information on availability of market for the products which are proposing to develop or produce. Based on this particular information the decision was taken to accept or to reject the proposal for the presentation at the Conference. It was requested to indicate how the market capacity was identified (based on previous production, marketing survey, feasibility study, etc.). Who are the main buyers of the products - how they are going to market, what use is made of the products.
- c). The description of the project had to be sufficient to know what a technology is? the main equipment to be used? why the company decided to embark on this project? is there in-house expertise? etc. If necessary additional page of the description had to be attached, as well as available technical papers concerning the project.
- d). The description of the company had to be provided in detail enough for potential partners to have an idea:
 - how large integrated holding company is? encompassing several specialized companies umbrella organization, etc.;

- a description of the sponsor, its links to parent and/or daughter companies, a list of current products (in some cases classes of products e.g. mechanical components as automotive spare parts, or various articles made of XYZ base raw material, etc.);

- what is the capacity for the current products, any potential capability to increase the production? If not specify (e.g. inefficient, low quality, uncompetitive, no market, no raw materials or intermediate inputs, etc.);

- who are the buyers of these current products.

e). Sources of raw materials had to be answered in detail - source of current supplies, potential future supplies, who else is competing for these supplies, etc.

f). If an economical study was done, who carried it out, when and if a market or prefeasibility study was done recently, what were some of the findings (3-5 lines).

g). How realistic were the figures given by the companies and the project a whole? The own comments of National UNIDO Experts were requested.

As a result of the activity 62 project proposals submitted from the Moscow region were screened during the meetings and 41 of which have been selected for further consideration by the UNIDO international experts. The Project Summary List presented at the Conference is attached (Annex VII-1).

2.5. Participation in the Investment Forum.

The UNIDO Consultant took part in the Investment Promotion Forum in order to present the information on UNIDO activities in Russia including the function of UNIDO Moscow Centre and in addition to that to organize the work of UNIDO Moscow staff members (one international, three national experts and secretary of the centre were attending the Forum) who had to participate in the individual meetings between partners and to assist with the translations, if necessary.

80 Russian representatives from 64 companies located in Moscow, St.Petersburg and Novgorod attended the Forum. They presented 92 investments project proposals and many of them have been discussed with 23 foreign participants. Actually 115 individual meetings took place and possible cooperations were negotiated between Russian and foreign partners. Plant visits have been organized for foreign potential investors and representatives of international organizations. On September, 27 the Forum was officially opened and presentations were made by Russian Officials to inform the participants on the investment climate in Russia, as well as on the situation in industry development.

In the afternoon session on September, 27 the report on activities of UNIDO Moscow Centre in Russia has been delivered by the UNIDO Consultant, in which a general evaluation on investment opportunities has been reported.

A number of interviews have been given to the representatives of Russian press, radio and TV about UNIDO and particular Moscow Centre activities. The press conference has been held as well on September, 26.

The staff members of UNIDO Moscow Centre together with the representatives of UNIDO HQ provided all necessary arrangements for the second part of the Forum held in Novgorod.

Investment Promotion Forum - St. Petersburg

Task Name	Start	Duration	End	1994														
				03/Jul	10/Jul	17/Jul	24/Jul	31/Jul	07/Aug	14/Aug	21/Aug	28/Aug	04/Sep	11/Sep	18/Sep	25/Sep		
St. Petersburg/Novgorod	04/Jul/1994	64.00 d	29/Sep/1994															
Preparation for mission to moscow	04/Jul/1994	2.00 d	05/Jul/1994															
Mission to moscow	06/Jul/1994	3.00 d	08/Jul/1994															
Identification of 1st batch of projects	11/Jul/1994	15.00 d	29/Jul/1994															
Review and screening of 1st batch	01/Aug/1994	2.00 d	02/Aug/1994															
Identification of 2nd batch	03/Aug/1994	8.00 d	12/Aug/1994															
Visit of 1st batch selection	03/Aug/1994	8.00 d	12/Aug/1994															
Review and screening of 2nd batch	15/Aug/1994	1.00 d	15/Aug/1994															
Visit of 2nd batch selection	16/Aug/1994	4.00 d	19/Aug/1994															
Realisation of profiles and preparation of projects list	22/Aug/1994	5.00 d	26/Aug/1994															
Final typing of profiles	05/Sep/1994	10.00 d	16/Sep/1994															
Final forum preparation	19/Sep/1994	5.00 d	23/Sep/1994															
Forum in progress	26/Sep/1994	4.00 d	29/Sep/1994															

Assistance has been rendered to the participants to organize bilateral meetings, translations, preparations of protocols and memorandums of understanding. The staff members at UNIDO Moscow Centre, Mr. R.Gumen, Mr. S.Fukuda, Mr. M.Tiypkin took part in seminars organized in Novgorod on the 29 of September to discuss the problems of defence industry conversion.

As a follow-up action 92 project proposals have been introduced to the DIPP data base in the Moscow Centre and promotion activities started.

LIST OF PARTICIPANTS OF THE MEETING
concerning organization of St.Petersburg-Novgorod Conference
(1-2 August 1994)

1. Mrs.Nosova Nadezhda Platonovna - Ministry of Economy
2. Mr.Trepov Oleg Nikolaevich - Novgorod Region Administration,
Economic Committee, Chief of
Exchange Control and Information/
Registration Work Department
3. Mr.Smolkin Vladislav Borisovich - Novgorod, Administration,
JS Company "Planeta"
4. Mr.Krasilnikov Sergei Alexandrovich - International Institute on
Management Problems
5. Mr.Boldyrev Vyatcheslav Petrovich - Deputy Director, Institute of
Information, Defence State
Committee
6. Mr.Stroganov Vladimir Ivanovich - Central Scientific Institute of
Economy
7. Mr.Lunyakov Boris Sergeevich - International Scientific-Research
Institute on Management Problems
8. Mr.Gladyshev Vladimir Afinogenovich - Institute of the Earth Physics
9. Mrs.Mokina Natalia Mikhailovna - Defence State Committee
10. Mrs.Rumyantseva Olga Valerevna - Ministry of Science
11. Mr.Bernshtein Erlen Solomonovich - "Investments in Russia"
Magazine
12. Mr.Vcherashny Rostislav Petrovish - Russian Scientific Research
Institute of Technical Economical
Investigations for Industry
13. Mr.Movchan Igor Ivanovich - Ministry of Foreign Affairs
14. Mr.Golovastikov Yuri Alexeevich - Central Scientific Research
Institute of Economy, Informatics and
Management Systems
15. Mr.Sherba Vladimir Nikolaevich - St.Petersburg
"Exhibitions,Seminars, Business" Company
16. Mr.Steshin Anatoly Iosifovich - St.Petersburg "Exhibitions,

- Seminars, Business" Company
17. Mr. Makarov Valentin Leonidovich
"Interprivatization" - St.Petersburg,
 18. Mrs.Silonova Zoya Serafimovna
- Scientific-Technological
Company "Mekhanobr"
- UNIDO Moscow Centre,
 19. Mr.Gumen Robert Georgievich
Director - UNIDO Moscow Centre,
 20. Mr.Shinichiro Fukuda
International Expert
 21. Mr.Norkin Alexei Gennadievich
- UNIDO Moscow Centre,
National Expert
 22. Mr.Tiapkin Mikhail Nikolaevich
- UNIDO Moscow Centre,
National Expert
 23. Ms.Ermolaeva Nina Vladimirovna
- UNIDO Moscow Centre,
National Expert
 24. Mr.Tkachenko Andrei Viktorovich
- UNIDO Moscow Centre,
Associated Expert
 25. Mr.Stuart A.Heaman-Dunn
- UNIDO-UK IPI Office
Investment Service
 26. Mrs.Karla Scappini
- International Consultant
 27. Mr. Phillip Walkers
- International Consultant

III. INVESTMENT IN THE RUSSIAN FEDERATION

3.1. UNIDO Investment Forum to be held in Vienna, 3-5 July 1995.

The UNIDO Investment Forum (Vienna 1995) is being jointly organized by the administrations of Sakha Republic, Krasnodarsky Krai, Orenburg Region and the United Nations Industrial Development Organization with major objective to bring together potential foreign investors and Russian partners to explore opportunities for collaboration in a great number project proposals from regional entrepreneurs. The regions provided most of the funds necessary for the Forum, which will be prepared in accordance with UNIDO "Guidelines for organizing a UNIDO Investment". The Forum preparatory activities included the following stages:

- Visits of International Experts and UNIDO Moscow staff members to the regions to discuss with the local authorities arrangements for the conference and to train national experts selected for the project proposals preparation.
- Preparation of the project profiles by national experts.
- Two-three weeks missions of three UNIDO Moscow staff members to the regions to assist in the preparation of IIPP forms more than 40 profiles for each region, and to visit plants in order to be sure of the validity of the information.
- Meeting organized in UNIDO Moscow Centre to screen project profiles with the participation of International, national experts and UNIDO Moscow Centre Staff.
- Revisits of International experts and UNIDO Moscow Centre staff members to three regions (two weeks missions) to finalize the profiles.
- Projects list preparation and distribution to UNIDO IPSO.
- Preparation of a report on the investment climate and opportunities existing in the regions, by the UNIDO consultant.
- Promotion of the projects list and projects profiles for the achievement of a successful result of the investment Forum in Vienna.

3.2. Foreign Investment Policies in the Russian Federation.

In spite of certain sovereignty declared by the republics and regions within the Russian Federation, general laws and regulations in the field of investment are applicable to all territory of the State. Therefore the information on investment policy established in the RF presented below are considered as important to understand the investment situation in the regions of Russia.

Foreign Direct Investment (FDI) in the Russian Federation, remains small by world standards. The transformational depression of domestic economies and the inadequate regulatory framework are partly responsible for the lack of significant investor interest and the low levels of FDI inflows into the country. Although FDI has an important role to play in domestic economic recovery and the transformation to a market economy, neither needs nor

expectations have been met. Consequently, these processes need to rely, first and foremost, on domestic resources and efforts.

According to a report of the Governmental Center foreign direct investments formed only 2%

of the total investment in 1994. They reached \$ 768 mln during 1994 and 74% were invested in industrial production. Among most popular industries were fuel and energy trade and public catering, wood and paper machine building and metal processing, construction, transportation and communications. The major problem is the strategy and methods of governmental economic activity proposed to stimulate private business. In spite of unwarranted declarative character, the Law of Russian Federation of July 4, 1991 about Foreign Investments in the country is the most important act. This Law granted the national treatment for the activities of foreign investors, widened the possibilities for creation not only of joint ventures but also the enterprises with 100% foreign participation. In compliance with this Law the foreign investments on the territory of Russia enjoy the complete legal protection, free transmission abroad of profits. In September 1993 the President strengthened the legal status of foreign investors by issuing the Decree "Improvement of Work with Foreign Investments". In compliance with it, the newly issued normative acts, regulating the activity of foreign and joint ventures in Russia, are not in force during three years in respect to the operating enterprises if they can cause material damage to them.

It is important to note that the Decree stops the regional and branch independence in regulation of foreign investments. Restrictions in the activity of foreign investors can be determined only by the Russian Laws and Decrees of the President. The President has instructed the Government to develop, in a short term, a package of documents proving the priority of foreign investment attraction. They will provide:

- the order of conversion of Russia's external debts into foreign investments;
- the order of participation of foreign investors in privatization equal with the Russian enterprises;
- the program of attraction of foreign investors to the conversion of defense enterprises.

The Government in the decree issued has clarified the order of taxation for the use of natural resources. No new taxes were introduced and the tax rate was preserved too. Duties for restoration of raw material base should be paid by the enterprises independently on the form of property and personal entrepreneurs including the foreign ones. Rates are equal to 5% on average but vary from 1.7% of product value for potassium to 10% for oil, and 17% for radioactive ores and any gems.

President has issued a decree on the additional measures to develop industry with attraction of foreign loans. Draft budget proposes to attract Rb.30.6 tril. in the form of the foreign loans to cover Rb 72 tril budget deficit. Major task of the decree is simplification of the attraction of foreign loans. Foreign investors will receive a number of privileges in the case import of industrial equipment and materials. Privileges propose duty-free import of equipment supplied according to the contracts signed before January 1, 1993, as well as of equipment supplied according to the intergovernmental credit agreements.

According to the information provided by Consulting Council for Foreign Investments set up in June, 1994 foreign portfolio investments have increased from \$30-50 mln a month in the beginning of 1994 to \$500-700 mil in the end of the year and can reach \$1 bil. in 1995.

Recently the Government has prepared a list of investment programs and projects, which will be realized with the participation of a foreign capital. These documents cover practically all sectors of the Russian economy and are provided with a short business-plan.

According to the appraisal of the experts from the Russian Ministry of Economy the annual demands of the country in FDI up to the end of 1995 amount to 5 bil.dollars. In the future the part of foreign investments in total volume of internal capital investments can reach 15%. The total potential capacity of the Russian market of long-term capitals is estimated at 17-20 bil.dollars.

At present, the income of enterprises with foreign capital is taxed at the rate of 32%. However, the enterprises for production and processing of agricultural raw materials, for production of consumer goods, building materials; enterprises for repair and civil engineering works are tax free during the first two years on condition that the receipts from the mentioned kinds of activity amount to no less than 70% of the total receipts from realization of production (goods, services, works).

As the world experience shows the foreign investments are directed first of all to the branches in which the capital-importing country possesses certain comparative advantages. In this respect the most preferable spheres of foreign investments are the enterprises of fuel-energy and agro-industrial complexes, in which Russia possesses many unique natural resources and enough qualified and relatively cheap manpower. It corresponds to the interests of Russia itself as the branches of fuel-energy complex are the main export branches and in the nearest future they will keep their significance. At the same time these branches require serious measures directed to modernization of capacities for output, processing and transportation of oil and gas.

Looking for massive foreign investment, budget-oriented loans and other loans should be considered as well. Among first will be the reserve loan of IMF of \$6 bil and \$1.5 bil.loan of the World bank proposed to cover the budget deficit. Other loans could include \$3 bil.loan of the World bank, stabilization loan of \$6 bil.proposed to support the ruble.

IFC has received the special regime of operations in Russia according to the Governmental decree issued to give the debtors of IFC hard currency needed in exchange for the rubles if these debtors will not be able to purchase hard currency at the market. If the Russian regulation is changed and does not permit to do it the IFC has received the right to sell its assets in Russia for hard currency. Specialists consider IFC tries to receive insurance against possible toughening of hard currency regulation. Among the projects of IFC in Russia \$15 mln credit line is to fund the medium and small business enterprises.

Russian share in the investment portfolio of European Bank for Reconstruction and Development (EBRD) reaches 25% and will grow. Bank has promoted 180 Russian projects during four years of operations in Russia and first in the field of oil and gas industry, financial sector, agriculture and transportation. In particular EBRD has approved 37 investment projects in Russia. These projects attracting other financial institutions total \$3.4 bil.including EBRD share of \$1.3 bil. Among priority regions are St.-Petersburg, Ekaterinburg, Vladivostok and Krasnodar area.

TACIS, program of the technical assistance from EC to the CIS countries reaches ecu 1.02 bil. Most part of free assistance was rendered to Russia. Program is aimed to support Russian enterprises selecting the Western partners to them.

There are no more than 10 banks in Russia able to issue a \$10 mln. investment loan. This sum is rather small and can not satisfy large-scale enterprises. However among the major reasons of insignificant crediting of industrial projects by the commercial banks are the high price of financial resources, the poor loan insurance and guaranties as well as imperfect ability of control of pledges. Exceptionally Inkombank, (Moscow) one of the top Russian independent commercial banks, has issued \$1109 mln.loans to industrial enterprises during three quarters of 1994 compared with Rb.30.8 bil.and \$108.6 mln.during 1993. The biggest part of loans issued is the short-term ones, average credit maturity was from four to six months.

Nevertheless prospects of FDI in Russia depend on prerequisites characterizing the investment climate in Russia such as: political situation, economic position, changes in economic legislation and the scale and nature of foreign cooperation. According to the optimistic view at the end of 1995 financial stabilization will occur in the economy which will include the stabilization of the rouble and the budget deficit and the inflation rate will be cut down substantially.

The implementation of the programme of mass privatization will reduce the share of the public sector to one-third. Privatization will be accompanied by the restructuring of enterprises and production modernization. This will lead to a revival of investment activity, structural shifts in the economy, and, at the end of the period, to a higher rate of economic growth.

In the legislative sphere, full-fledged laws will be adopted governing the activities of joint-stock companies and economic partnerships, detailed and clearly defined terms of using foreign investments in privatization will be supported by standard acts and the mechanism of bankruptcy of enterprises based on the effective law will be out of operation. Besides, the Law on Foreign Investments will be amended: (a) to protect the investors from the degradation of investment conditions compared to the initial period of investment and (b) to restore previously envisaged tax and customs privileges.

Western assistance will be more active and specifically addressed. It will be channelled essentially to support the private sector and to set up an institutional structure with a view to attracting more foreign investments, including a network of firms to insure and guarantee investments. Major projects involving Western companies of international status may be expected.

The obvious improvement of the investment climate and reduced risks will stimulate an increase of the annual flow of investments to US \$3-5 bil.in 1995 and US \$6-8 bil.in 1998. The share of industry from foreign investment will also grow. An optimistic option constitutes a normal development of the situation in an economy transformed on the basis of market principles. To Russia, such an option is quite realistic even though the odds are against it.

Privatization

Foreign investments can play their considerable part in the processes of privatization in

Russia. This process assumes ever greater scale in the country though the Russian privatization is being realized in worse social and political conditions than in the Eastern Europe.

The ultimate practical purpose of privatization in Russia is not reorganization of state enterprises but creation of effective economic units and effective financing of the Russian economy. The main emphases placed on such parameters is new investments, production development on a new technical basis, stable employment. In regard with the above it is expedient to work out a special order of foreign investors participating in privatization. Its main task is to create conditions for a fast entry of foreign investors into privatization, in order to provide the growth of production efficiency, creation of market environment for Russian enterprises and to stimulate the development of their link with the world market.

By the middle of 1993 more than 120,000 enterprises have made applications for privatization and 72 thousand have been privatized. Mainly, these are small and medium enterprises which are the municipal and regional property, 28% of privatized enterprises were the industrial ones, 11% were construction ones, 5% were transportation ones while 45% of the privatized enterprises were the service ones.

In 1994 (January-August) 16 thousand enterprises were privatized and according to the official statistics, up to 5% of privatized enterprises were foreign owned (July 1, 1994). Additionally 14 thousand of new enterprises have sent applications for privatization (September 1, 1994). Half of them were of municipal property and 21% were in the regional property, and 29% - in federal property. The privatization of the federal property which includes the largest enterprises only begins. While privatizing small and medium enterprises, the mechanism of sales and redemption of leased enterprises is used more often, for large enterprises provision is made for privatization by means of establishment of stock-companies.

The state property proposed for monetary privatization is appraised as Rb300 tril. in current prices, the budget will receive only Rb10 tril. of incomes through it during 1994-1995, while remaining part will go to the commercial structures in Russia and abroad.

For privatization process control in Russia 90 property funds of republics, territories, regions and cities have been formed; at the securities market they perform duties of share sellers of the enterprises being privatized and solve other practical questions of privatization. Bulletins of property funds of various levels which inform on competitions, auctions, their conditions securities emission, sales of stock-companies shares are published.

Foreign investors may take part in auctions, competitions, investment tenders. The majority of restrictions that were in force in Russia for a certain period of time have been abolished. The only cases which require that a foreigner get a permission are transport and fuel, energy industry engaged in the mining and processing of ores, precious stones, precious metals, radioactive and rare-earth elements (the permission must be issued by the Russian Government or the Government of a constituent republic).

The on-going or forthcoming transformation of a considerable number of state enterprises into open joint-stock companies makes their privatization easier, on the one hand, and expands the degree of economic freedom of these enterprises, on the other, making them convenient

partners for foreign investors in the Russian market.

Foreign investors are granted the right to buy or rent, when purchasing a privatized state or municipal enterprise, the land plot on which the enterprise is located. Previously, this right was vested in Russian legal entities and private individuals only. In addition, a foreign investor may buy, under this document, an additional land plot if the investor finds it necessary to expand the newly bought enterprise or to construct a new one.

The promotion of foreign investment connected with the development of natural resources rests on a legal foundation in the form of Law on Mineral Resources No. 2396-1 of February 21, 1992 (Article 9), under which natural resources may be developed by any investors, regardless of the form of ownership, including legal entities and private individuals of other states. The proposals about granting special tax privileges to foreign investors for encouragement in creation of new working places are being considered.

The most acceptable form for privatization is investment auction (competitions). Its main idea is as follows: acquiring a large package of shares the investor commits at the same time to fulfill the investment program for the enterprises. The auction itself is the mechanism of investor selection in compliance with the terms of a competition and criteria of winner determination. A package of shares from 20 to 90% of the ownership capital is put up for the investment auction.

Thus buying stock of Russian companies is one of the ways to become their proprietor. However, one must bear in mind that stock exchanges are just being created in Russia, while the process of privatization of many state run enterprises is only at the first stage of issuing shares.

The presently initiated process of privatizing state and municipal property opens up broad possibilities for buying stocks of Russian firms. The State Committee on the State Property Administration are supporting the foreign investments but considers some limit should be fixed and the Government will develop the special protection measures when this limit is exceeded. Major task of Goskomimushchestvo will be to promote inflow of investments to the Russian economy. Goskomimushchestvo will act as a superbroker and plans to bring the budget Rb 9.2 tril (7.3% of the budget revenues) through sale of state owned stocks of privatized enterprises and first oil and gas companies.

Small and Medium Business

Government in its decree issued makes more active its support of the small business enterprises as well as has raised the role of the State Anti-Monopoly Committee (GKAP) in this process. GKAP will control more efficiently the activity of the Foundation for Support of Entrepreneurship and Promotion of Competition, the major source of funds for the small business. The foundation will decrease the share of direct investments and will promote issue of the guaranties for the bank loans as well as will invest in small business development and support infrastructure. Some regional departments of the foundation are rather active and first in Moscow, Nizhny Novgorod, and Ekaterinburg. Only Rb10 bil. were allotted to the foundation from the federal budget during 1994 while the regional departments mentioned

were able to distribute about Rb5 bil.each.

There are about 1 mln.small businesses in Russia (without farms) though the needed figure could be at least five times more. Most part of enterprises with direct foreign investors is the medium and small one and are set up in service sectors.

Long-term strategic investors prefer to create joint ventures and fully owned enterprises. Share of last one has jumped from 4.3% to almost 40% at the beginning of 1993.

Russia's Banking System and Investment

Russia's banking system includes: the Central Bank of Russia, the Foreign Trade Bank, the Saving-Bank, commercial banks, special development banks, and other credit organizations licensed to conduct various banking operations and branches of the banks. According to the current law, the Central Bank of the RF is the main bank of Russia.

About 2.500 banks are registered in Russia. Each third bank is licensed to conduct operations in foreign currency. The total number of branches of these banks is over 4,500. The Savings-Bank of the RF has over 31,000 branches.

The extremely amorphous nature of banking capital reflects negatively on the solution of high-priority economic problems. The majority of commercial banks are small and medium-size organizations. Therefore the need is increasingly felt for the creation of a system of large commercial banks, capable of releasing credits for long-term and medium-term development and construction, quickly reacting to organizational changes and ensuring the promotion of top priority projects. The Central Bank of Russia had this partly in mind when it decided to establish, in 1994 a minimum sum of no less than 2 billion rubles of nominal capital for newly-registered resident banks in the Russian Federation. It is planned to set the level of the minimum authorized fund for registered banks at the equivalent of 1 million ECU's.

The problem which the banks confront as a result of market demands is investment, and the improvement of the investment climate both for national and foreign investors. In order to accumulate resources, banks will have to take an active part in the formation of financial-industrial groups. Enterprises of any organizational and legal structure, regardless of the form of property, and also credit-financial and other institutions, including foreign ones, can become participants of a financial-industrial group. These groups can be formed by the members on a voluntary basis or through consolidation by way of one member or the group acquiring a portfolio of shares from other participants (according to the resolution of the government of the RF based on inter-governmental agreements). The creation of such groups will allow to concentrate considerable resources for the realization of major long-term programs.

The resolution of the Government of the RF, dated May 17, 1993, No 467 "On measures to increase the role of banks in providing government investment programs", plays an important role in the development of investment activity in Russia. The resolution acknowledges the advisability of broadening the network of commercial banks. In addition it is planned to accelerate the creation of banks for implementing investment activity. It is also planned to

create large banking associations, which provide the whole range of banking services and which will assist in the speed-up of the turnover of funds, with the purpose of concentrating large resources for their application within the national economy.

The government Decree of the RF, dated April 12, 1993, No 306 "On the selective structural policy of the government in 1993", envisages wide application on the federal, republican and regional levels, of methods of financial and monetary-credit regulation, credit subsidies, and the beneficial influence of discount bank rates, credit restriction or expansion. The formation of banking associations was also reflected in this Decree.

As for now, banks are not interested in giving credits for long-term investments. According to the data contained in the report of the Central Bank of Russia "Basic directions of monetary-credit regulation for 1993", on the state of affairs at the beginning of 1992, the amount of long-term credits, of their grand total, consisted of 9,6% and by the end of the year it fell to 5,3%. One should note that during the 1980s the amount of such credits was 25%. According to the data of the Central Bank of Russia, long-term credits covered only 9% of annual capital investments in 1992. By the end of 1993, the share of long-term credits in the grand total of credit investments into the national economy, fell to 3%.

In order to generate interest among the banks in granting long-term credits, the Ministry of Finance of Russia was entrusted with the task of preparing proposals for specifying taxation procedures on the income (profits) of banks; in particular tax exemptions on income from long-term credits and other investments within the framework of government programs earmarked for special purposes, in accordance with the Government Decree of the RF, dated May 17, 1993, No 467 "On the measures to increase the role of banks in providing for government investment programs". This was partly reflected in the Decree of the President of the RF, dated December 22, 1993, No 2270 "On certain changes in taxation and in the interrelationships of budgets on various levels".

Thus, the profits of banks and credit institutions received from long-term special purpose credits for a term of three years or more granted to enterprises of any organizational and legal form, used for capital investments for the purposes of developing their own production base, have been exempted from taxes. This Decree also stipulates that banks pay one-and-a-half time less taxes on profits if they grant not less than 50% of the total sum of credits to peasants and farms, kolkhozes, sovkhoses and other agricultural enterprises processing agricultural products and also to small enterprises (excluding those which work in the areas of supply and retail, trade and purchase).

The Decrees of the President of the RF are important for the development of the banking system in Russia. The Decree, dated June 10, 1994, No 1184 "On the improvement of the banking system of the RF" provides for the strengthening of the role of the Central Bank of Russia, as a control agency over commercial banks and credit institutions. Measures for the protection of the savings of Russian citizen by means of the establishment of a Federal insurance fund covering the assets of banking organizations attracting deposits from the population, are provided for. Acts by subjects of the RF which violate the unity of the Russian Central Bank are not allowed.

The Central Bank is empowered with specified rights to issue licenses to foreign banks and

joint banks for the purpose of improving their operations, on the condition that the governments concerned keep to the principle of reciprocity. The role of the Central Bank of Russia is also strengthened by the Decree of the President of the RF, dated August 15, 1994, No 1688 "On the joint representation of the government of the Russian Federation and the Central Bank of the Russian Federation". The Decree envisages taking joint measures in monetary-credit policy, strengthens the part played by the Bank of Russia in the resolution of issues on the Russian government agenda and provides for the elimination of those drawbacks which have hindered, decision making on the banking system of the country, without prior agreement with the Central Bank of Russia.

The Russian Federation and Developing Countries

According to some sources, potential volume of investments of developing countries to Russia may amount to 17-22 billion dollars, and Russian investments to developing countries - to nearly 35 billion dollars. Besides, African countries offer Russia to take part in using plantation of coffee, cacao, tropical fruits, wood, cotton - either as part of debt covering or on the basis of compensation and trade-investment agreements.

Practical opportunity of many developing countries in trade and investment cooperation with Russia is rather dependable on strict import limits for investments from their countries. This is to some extent connected with growing foreign debt of developing countries.

Government and company representatives of many developing countries demonstrate their constant interest in increasing of production in Russia through joint ventures arrangements. Especially interest was expressed to develop production. Presently a number of companies from South-Eastern Asia developing countries made proposals to Russia for credits to modernize heavy and light industry. The total investments offered from these countries are estimated approximately 7 mln.US dollars (1994, June). Investment activity of Latino-American countries and OPEC in Russia is quite noticeable in such branches of industry as: metallurgy, machine-tool construction, development oil fields and oil processing, production and export of oil and gas chemicals. Investment potentialities of these are estimated at 10 mln. dollars.

Consortium of 8 Indian pharmacy firms already set up in Russia production of medical equipment and medicines. From 1996 the export of these products to several African and Asian countries will be possible. Total investments from India in 1992 - 1994 is about 150 mln.dollars.

There is a plan to develop cooperation with such countries as: Saudi Arabia, Katar, Kuwait, UAE, and also governments and companies of Iran, Iraq, Egypt, Syria. They proposed Russia to organize mutual manufacturing and export of machine-building and machine-tool products and energy equipment.

Brazilian energy corporation "Petrobraz" proposes the processing technology for petedijikous into artificial oil fuel with waste utilization and industrial use of subproducts.

Argentine and Uruguay companies are interested in investments to develop processing capacities and infrastructure of agricultural complex. "Agroinvestment" potential of Argentine

and Uruguay for Russia, according to estimation made Latin America foreign trade organization, is about 3-4,5 billion dollars.

As to the needs of developing countries in Russian investments the following should be mentioned: In 30 developing countries there is equipment imported from USSR, during 1960-1980, which is used in engineering, metallurgy and chemical industries and for production of building constructions and materials. Developing countries are interested in modernization of plants and equipment supplied by Russian companies on the basis of long term industrial investments. Such offers have been made by India and Iran, Egypt and Venisuela, Indonesia and Libya, Alzyr and Sudan, Iraq and several other countries.

Generally speaking there are some possibilities to transform the existing debt of these countries to the former USSR (about 145 billion dollars US) into investment opportunities, and this is a subject for bilateral negotiations.

3.3. Specific Investment Opportunities Existing in Regions of Russia

At present the importance of regions in the socio-economic development of Russia is increasing substantially. This applies both to foreign economic activity as a whole and to foreign investments in particular.

According to the Federal Treaty, foreign policy is the exclusive responsibility of the Russian Federation. On a federal level they resolve problems associated with the general regime of foreign economic relations, ensuring the unity of Russia's economic area.

The regions as the RF subjects exercise pretty full rights in matters of direct attraction of foreign investment. They are free to enter in agreements (that do not contradict laws and the general foreign economic policy of the RF) on economic cooperation with particular parts of foreign countries.

Regional Governments in Russia should set up an infrastructure for foreign economic cooperation, namely:

- the establishment of regional systems for crediting and insurance of foreign economic activity, investment companies, mortgage banks, etc.;
- the development of the transportation and communication infrastructure to meet up-to-date standards of international economic cooperation;
- setting up an efficient information system.

The relationship between the Center and the regions of Russia have eclipsed some aspects of the problem. What seems to be a purely political contradiction between the federal authorities and the so-called subjects of the federation at first sight has an obvious underlying economic reason. In fact, the contradictions boil down to pecuniary interests - distribution of federal funds between the regions.

In 1994 the federal authorities allocated to regions and former autonomous entities a number of trillion rubles in the form of subventions, credits and subsidies to the local budgets. This enormous sum could have become a weighty argument in the dialogue between the center and the regional authorities. However, the allocation of these funds was motivated by a variety

of tangled and conflicting reasons leading to mounting tensions between Moscow and the regions.

In the opinion of some experts, the present system of distribution of federal taxes and subsidies is the acme of economic absurdity. Some Russian regions bear the brunt of supplying the federal budget with funds while others just consume them. The Tyumen, Nizhny Novgorod and Samara regions, three Urals regions, and the Krasnodar and Krasnoyarsk territories as well as Moscow and St. Petersburg with their regions fall in the first group. The revenues coming from these regions amount to nearly half the taxes making up the federal budget. However, they've never got back in the form of subsidies more than a quarter of the sum they have remitted to the state treasury as tax deductions. Those who consume budget expenditure are the constituent republics and ethnic-territorial entities. The difference between federal taxes and subsidies for these regions is very tangible.

The latest idea brought up by the presidential team seems to be the only way of breaking the deadlock: the republics may keep their privileges but in their economic relations with the center all its subjects should be equal.

In spite of that an idea of the regional off-shore zones is becoming more popular. First zone was set up in Ingush Republic and it offers any enterprises registered within the zone tax privileges to ensure regional development. Administration of Nizhny Novgorod region proposes to apply this status to the unused capacities of the defense industry and to reduce local taxes substantially within these zones. Ivanovo region plans to receive agreement of the Parliament to set up off-shore zone proposing reduction of the federal taxes to support textile industry and argue the taxes not levied in any case reach 70 % due to poor state of textile mills.

President of Tatarstan, an autonomous republic within Russia, has set up a legal basis for off-shore zone grounding on the local privileges in the decree on the foreign investment promotion. Enterprises with foreign participation in the capital will not pay most part of local taxes during 3-5 years if the foreign share exceeds 30% and is not less than \$1 mln. while the share of self-produced output is not less than 70% of the total sale volume. Foreign investors could become the owners of the plots of land or to lease them on the long-term base. They will receive the state guarantees insured with the pledge and the special list of property to be used as a pledge should be developed by the Government.

Regarding to foreign investment in regions of Russia various forms present themselves virtually in all of them today, but in any way republics, territories and regions have to draft regional programmes for attraction foreign investments and their enterprises come up with specific proposals and business plans. It was done by three regions namely Sakha Republic, Krasnoyarsky Krai and Orenburg Region which were selected for the UNIDO Investment Forum to be organized in Vienna in July 1995. 20 project proposals have been selected from Sakha Republic, 31 from Krasnoyarsky Krai and 20 from Orenburg Region. The list of the selected projects is attached as annex VII-2 to this report.

The specific investment opportunities, which are existing in these three regions of Russia, selected for the Conference are described in details (see annexes IV, V, VI) and are based on the information received from the local Governments, publications in journals and reports

prepared by local and international experts.

IV. SUMMARY AND RECOMMENDATIONS

1. The activity under the contract had a wide range of objectives and can be best described as follows:

- observation of major legal elements of existing enterprise-to enterprise co-operation as well as the role of the Russian Government policy in foreign investment on the federal and regional levels;
- analysis of potential areas for technologies to be developed through the cooperation with foreign partners;
- studies of the basic motivations of Russian enterprises from different regions and industries to cooperate with foreigners. Participation in collection and screening of more than 200 Russian proposals for two UNIDO Investment Conferences;
- visits to industrial companies and institutes in Russia;
- meetings and discussions with the Russian Federal and Regional Authorities, managing directors and experts from interested organizations;
- reviews of recent studies and publications on the economic and industrial structures including investment climate in the Republic of Sakha, Krasnoyarsky Krai and Orenburg Region.

2. The specific areas for the foreseen co-operation between Russian and Foreign partners were the following:

- modernization of industries based on natural resources available in the regions;
- oil and gas industry development machinery for processing of agricultural products, electronic and electrical industries;
- metallurgy (technologies for an increase of the outputs of iron, steel, lead, zinc, bauxite etc.);
- conversion industries (retooling of existing production lines, adding new lines for consumer goods, various machine-building equipment);
- light and food industries (household appliances, ceramic and glass ware, equipment for food processing).

3. It was acknowledged that UNIDO projects can play the role in bringing together interested parties and creating synergies in certain technological area. Therefore the creation of proper investment conditions for joint ventures and technology development is recommended as a supportive measure from the Government side. A bottom-up approach, a flexible and decentralized character of the projects is considered to be the most important concept to offer excellent opportunities for industrial partners.

4. As a result of discussions with representatives of Russian industry it was found that there is room for improving in the area of partner search to prepare UNIDO Trust Fund projects based on technology from the Russian Federation. This goal would be achieved by providing the information available in UNIDO concerning technologies requested by developing countries.

5. The concept of Russian enterprises for participation in the UNIDO projects is closely linked to its objectives. These were laid down in the report as principles of interest. Key elements of the principles are:

- joint venture and technology transfer through the projects;

- market orientation;
- flexibility and decentralization during the implementation;
- availability of supportive measures for projects in which industry, Governments and UNIDO all have a role to play.

6. Further action of UNIDO is required to initiate pipe line projects on the basis of IIPP's prepared, therefore it is recommended to organize a number of missions from foreign countries which could show their interest in the proposals with the aim of promotion joint international cooperation.

UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION**JOB DESCRIPTION**

Post Title: Consultant in Investment Promotion

Duration: 2.0 months

Date required: 25 July 1994

Duty station: Russian Federation

Duties:

25 July - 26 August 1994:

Within the framework of the preparations for the investment forum for St. Petersburg/Novgorod scheduled for 26-29 September 1994:

- (1) Assist national experts in preparation of Industrial Investment Project Profiles to be submitted to the Conference. In this context the consultant is expected to review the profiles being prepared by national experts, check for completeness and consistency of the information, clarity of the proposal and investigative comprehensiveness of sponsor description. The consultant will provide written suggestions to the national experts with copies to HQs;
- (2) Assist the International Expert who will pre-screen the profiles prepared by the national experts and visit selected enterprises for further development and refining of their proposals. In this context the consultant is expected to provide guidance to the International Expert and accompany him/her in visiting all selected project sponsors. Prepare a report on the visits giving full details of agenda and contacts.

27 August - 25 September 1994:

Within the framework of the preparation for the future investment forum for the Republics of Buryatia and Sakha (Yakutia) and the Tyumen Region to be held in 1995:

- (1) Review recent studies and publications on the economic and industrial structure as well as on the investment climate in Buryatia, Sakha (Yakutia) and Tyumen;
- (2) Review existing information material on promotion of foreign investment in these regions and prepare a draft outline of the report on the investment climate in these regions covering all topics of interest to existing and potential foreign investors. The main body of the report will deal with such matters as the environment for foreign investment in these regions including general country data, the structure of the economy, natural resources, structure of the industrial sector, labour resources and legislation, government policies regarding foreign investment, fiscal and other incentives, regulations on financial transfers, protection of industrial and intellectual property, corporate and personal taxation. Appendices will contain reference material of the type required by foreign investors;

- (3) Identify obstacles impeding the foreign investment in the regions through consultations with the governmental and industrial institutions;
- (4) Analyze the data on relevant topics available from the governmental and local Administrations, agencies, Industry Associations, Chambers of Industry, government statistical services and other concerned bodies;
- (5) Assess the capacities of the national staff in the investment projects identification and promotion and collect CVs of the potential candidates to be recruited by UNIDO as national experts to prepare project profiles;
- (6) Present recommendations on the potential UNIDO focal points in these regions to be linked to UNIDO World Investment Network Service and monitor investment promotion jointly with UNIDO;

Qualifications: Advanced degree in economics, international law, or business administration. Knowledge of development policies and strategies of the region.

Languages: English and Russian

Preparation of a report on the investment climate, obstacles and opportunities existing in the regions concerned and its submission to UNIDO HQs for comments and clearance by 30 March 1995.

The report should be focused on the following items:

- general republic/region data;
- structure of the economy;
- natural resources;
- structure of the industrial sector;
- labour resources and legislation;
- government/regional policies regarding foreign investment;
- fiscal and other incentives;
- regulations on financial transfers;
- protection of industrial and intellectual property;
- corporate and personal taxation;
- investment opportunities and government/region priorities;
- methodology in setting up an investment in the republic/region;
- structure of the federal and republican governments, regional administrations;
- key institutions and their roles in the private and public sector;
- the federal/local government's privatization programme, its progress to-date and plans for the future;
- the obstacles impeding foreign investment in the regions and the possibilities of overcoming them;
- the comparative advantages for foreigners of investing in the republic and regions;
- general information for investors visiting the regions concerned

ABBREVIATIONS

CIS	Commonwealth of Independent States
COMFAR	UNIDO Computer Model for Feasibility Analysis and Reporting
DIPP	UNIDO Databank for Investment Promotion Programme
EBRD	European Bank for Reconstruction and Development
EC	European Community
FDI	Foreign Direct Investment
HQ	Head-Quarters
IIPP	Industrial Investment Project Profile
IPSO	Industrial Promotion Service Office
N.E.	Not Estimated
PROPSPIN	Project Profile Screening and Pre-appraisal Information System
RF	Russian Federation
RSFSR	Russia Soviet Federative Socialist Republic
SME	Small and Medium Enterprise
T.A.	Technical Assistance
TACIS	Technical Assistance for Community of Independent States
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USD	United States Dollars
WB	World Bank

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INVESTMENT OPPORTUNITIES IN SAKHA REPUBLIC (YAKUTIA)

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1. Introduction

The Sakha Republic (Yakutia) is the largest Republic within the Russian Federation. The area is 3 million 103 thousand square km. The climate is sharply continental, the temperature amplitude is about 100 degrees Celsius (from +40 degrees Celsius in summer to (-60) degrees Celsius in winter). Due to the complex geological structure Yakutia is very rich in various mineral resources.

The population of the Republic is 1,086,500, which includes representatives of 80 nationalities, mostly Yakut (33%), Russians (50%), Ukrainians (7%), and minorities of the North. There are 35 districts, 11 cities, 67 workers' towns and 718 settlements in the Republic. The biggest city of Yakutia is the capital - Yakutsk, which was established in 1632.

The transport development in the Republic is critical but it is very important for the economy of Yakutia. The traffic from outside goes in several directions: down the Lena-river, along the Northern shipping routes, via southern Yakutia and via the Magadan region of Russia. The main volumes of goods delivery are carried out by water ways, which have limited capacity due to seasonal character. The operational extension of railway has reached 259,7 km.

Graduate from annually the Republic has an educational base. There is the University, which 1140 specialists. 130 professionals graduate from the Yakut Agricultural Institute every year. There are 18 high technical schools that train professionals for mining industry, agriculture, construction and transport sectors. The Yakut Scientific Centre of Siberian Division of the Russian Academy of Sciences was established.

The Yakut Autonomous Soviet Socialist Republic was formed in 1922 within the RSFSR. Since the adoption the Declaration of the State Sovereignty in 1990, the first President was elected and the new Constitution was endorsed in which Sakha Republic (Yakutia) has been recognized as the sovereign, democratic and legal State within the Russian Federation.

The Federal Treaty on delimitation of subjects under the jurisdiction and authorities between Federal and Republican Governments and administration bodies was signed.

2. The Government and Administration

Governing system

According to the Constitution, Yakutia is the sovereign, democratic and legal Republic of the Russian Federation and has own Government and Legislative Assembly. It is autonomous in the inner policy, culture, economics and public life. The representatives of the Republic are in the Federal Parliament and take part in legislative progress of the Federation.

The democratic principle in Yakutia is realized on the basis of political pluralism and legality. Public organizations and political parties are organized and act within the framework of the Constitution of the Russian Federation and the Sakha Republic respecting sovereignty and the principles of the democratic state.

The legislative power belongs to the Legislative Assembly (IL Tumen) of the Sakha Republic. The scope of activities of the Legislative Assembly includes submitting, discussion and endorsement or declining of the legislative proposals, approval and control over the execution of the national budget, ratification and denouncing of the agreements and treaties.

Executive power

The President is a supreme official of the Republic. It is incumbent on the President to execute constitutional duties for defencing of the Republic sovereignty and territorial integrity, observance of the Constitution and laws of the Sakha Republic. As the Head of the executive power he has the right to appoint or dismiss members of the Cabinet, as well as other officials.

The President is elected by direct, general ballot for a five years term. The President can be reelected for a second term. The President realizes the executive power through the Cabinet. The Head of the Government is the Prime-Minister. At present the Cabinet consists of the Prime-Minister, the Vice-Premier, 5 Vice-Chairmen of the Government and sixteen Ministers.

Juridical power

The Supreme Court is the highest body in respect to civil, police and administrative matters. The body supervises the activity of municipal and district courts. The Supreme Court of Arbitration settles the actions which can arise in the process of commercial and economic activities.

Examination of cases is open in all courts. The closed session is permitted only in cases which are prescribed by law.

International activities

International activities of the Republic are realized according to the national interest and a geopolitical factor with due regard for ethnic-political, social-economic and historical-cultural belonging. The important trends of activities of the Yakutia in international cooperation are:

establishment of trade-economic contacts; cultural and scientific-technical cooperation; participation in international organizations activities. Representations of the Yakutia were opened in the countries of the Commonwealth of Independent States, Japan and Latvia. In 1993 the Republic became the 21th member of The Northern Forum - an international organization which was established in 1991 on the initiative of the Circumpolar countries. Activities of the Northern Forum is aimed at solution of practical issues of economic, social, cultural, national-ethnic, ecological interactions among the Northern regions of the world.

3. Structure of the Economy

Until the end of the XIXth century cattle-breeding, hunting and tillage were the principal branches of economy of Yakutia. At the present time industry has the main place in the structure of Republic economy.

Total gross national product is contributed from:

industry	- 43.0 per cent
agriculture	- 13.6 per cent
construction	- 24.2 per cent
transport	- 12.6 per cent
others	- 6.3 per cent

The new economic strategy of Yakutia is directed to the effective use of natural resources, accelerated development of industrial and social infrastructure, establishment of processing industries which can meet the demands of the domestic market. One of the priority is the construction of a railway connecting the Baikal-Amur and TransSiberian railway with Yakutsk City that would allow to reduce the economic dependence on seasonal delivery of goods. In order to achieve these strategic aims, the Fund of National Revival and the Fund of the Future Generations are founded. The funds' resources are used for investment in industry and infrastructure development. In addition to that the Diamond Fund and Gold Reserve have been founded in the Republic as a guarantee of new a economic policy.

Natural Resources

One-third of Yakutia's territory contains oil and gas. Several oil, gas and gas-condensate fields, including some large deposits helium containing, have been discovered in the Lena-Tunguska area. The largest fields are the Srednebotuobinskoye, the Tas-Yuryakhskoye and the Central Talakanskoye oil and gas fields. Eight gas and gas-condensate fields have been found in the Viluy area. Two of them, Sredneviluyskoye and Srednetyungskoye, contain two-thirds of the area's explored reserves.

Yakutia possesses huge coal resources, reserves of which located at a depth of 1.800 m. below the earth's surface have been estimated at more than ten tln. tones. The majority of Yakutia's coal is located in the world's largest coal field, the Lena Basin. The Lena Basin contains not only hard coal or anthracite, but also industrial seams of bighead coal, which has similar properties to petrol.

Yakutia is also rich in non-ferrous metals. It produces tin and antimony as well as tungsten concentrate as a byproduct from tin ore. Antimony deposits are located in the Sarylakhskoye

and Sentachanskoye fields in the Oimyakon and Verkhoyansk districts. Verkhoyansk, particularly the Southern part of the district, is also rich in polymetallic ores, including lead, zinc, germanium, cadmium and other elements.

Gold mining began in the Aldan area and later the industry spread to the Allakh-Yuh district on the border with Khabarovsk Area, to the Upper Indigirka and to the Kular area in the Arctic Circle. Yakutia has both alluvial and ore deposits. The Nezhdaninskoye gold deposit, the largest in Eastern Yakutia, is under development and the Badranskoye gold-field now being developed in the Upper Indigirka region, while reserves of the Kuchus gold-field in the Arctic Circle is still being explored. Development of the new Ryabinovskoye gold-field is now being developed in the Upper Indigirka region. Development of the new Ryabinovskoye gold-field is due to begin in Southern Yakutia.

The Tomtorskoye niobium and rare-earth metal deposit has recently been discovered in the North-West of Yakutia. The area rich in silver with reserves of around 50,000 tones has been discovered not far from Verkhoyansk. Yakutia's reserves of phosphate ore, mica, phlogopite and zeolite are the largest in Siberia. It is also the world's unique deposits of chromium diopside, chalcedony and charoite.

Almost a thousand diamond-bearing kimberlite pipes have so far been discovered in the republic. However, less than 15 of them are suitable for commercial development. Yakutia's diamond deposits include both placer and primary deposits. Primary deposits account for more than 90 % of explored diamond reserves.

Yakutia is one of the biggest regions of Russia in terms of wood reserves and delivery of timber. The forest occupies 47 % of the territory and the total area of wood reserves is 226 mln.h. The supply of timber in the Republic is 9 bln.cubic m. which is 84% of the total reserves of timbers.

Volume of the water resources (surface flow) accounts 844 square km. There are more than 9 thousand rivers 28 thousand km long and about, 8 thousand lakes with the total square 2.828 thousand h. Average river flow accounts 844 bln.cubic m. per year.

Industry

Industry is the main sector of the republic economy and is characterized by high degree of export-orientated production. The leading role in industry belongs to the mining of diamonds, non-ferrous metals, coal, gas and oil. In the volume of industrial production 70% and 25% accounts for non-ferrous and fuel and energy sectors respectively.

In the future the share of mining industry will gradually decrease due to the development of processing industry (metal working, jeweller and food industry, production of the diamond tools, timber processing and oil refining, furniture industry).

It is planned to develop two branches of diamond industry: processing of rough diamond for jeweller production and diamond tools production. Two industrial companies such as "Diamonds Russia-Sakha" and "Tujnaada Diamond" to have the leading role in the development of diamond industry. There are 10 cutting plants for diamond processing and

2 plants for diamond tools production. Joint venture companies have been created with Japanese, Belgian, Swedish firms. The second important branch of industry is gold mining, which produces 30 tons of gold a year.

The information on the other domestic industrial production is given in table 1.

Production in Industrial Sectors.

Table 1.

Products	1990	1991	1992	1993/1994
Gas, mln. cub m.	1402.0	1528.0	1538.0	1586.0
Crude oil, thous. t.	41.0	48.5	58.5	59.7/50.3
Gas-Condensate, thous t.	67.0	70.3	73.6	103.0/77.6
Coal, thous. t.	16949.0	15066.0	12576.0	12584.0
Wood, thous.cub m.	3402.0	2822.0	1817.5	1668.0
Construction bricks mln.units	159.1	135.0	78.9	74.5/94.1
Concrete Construction, thous.cub m.	629.4	560.3	407.2	296.1
Cement, thous.t.	368.8	365.0	311.8	218.8/230.2
Furniture, thous.rubles	11982.0	16537.0	302063.0	2438140.0
Fisheries, t.	8255.0	6887.0	5575.0	4191.0
<u>Livestock</u> Cattle, t.	13946.0	10859.0	8923.0	9171.0
Pigs, t.	949.0	718.0	861.0	802.0
Others, t.	4823.0	3973.0	2630.0	1509.0
Butter, t.	3777.0	2654.0	3471.0	2913.0
Milk, t.	134204.0	122999.0	71693.0	47416.0
Electric Energy, mln.KVT/hours	8478.5	8753.0	7369.9	6781/6956

4. Foreign Investment Policy.

The Sakha Republic pursues the policy of liberalization of entrepreneurs and trade activities, a free enterprise economic system including trade. According to the Government policy private foreign investors are encouraged to participate to the maximum possible extent in the Republic's economic development.

In 1992 a special Law "On Foreign Investment in the Republic of Sakha" was adopted, which is in agreement with Russian Law "On Foreign Investment" of 04.01.91.

Under these two Laws foreign investors are guaranteed the same rights identical to those

enjoyed by the legal entities and private individuals of the Republic. They shall enjoy full, unconditional legal protection, which is guaranteed by the present Law. Removal of foreign investments as well as deprivation of investors property rights is prohibited. In the exceptional case of withdrawal of foreign investments, objects of investments and property, adequate compensation must be paid within three months. In case of a change in the legislation of the Republic of Sakha infringing the rights of investors, the legislation in effect at the time of establishment of a company with foreign investment will be applicable during the next ten years.

Government bodies of the Republic may provide (on case by case basis) foreign investors and enterprises with additional guarantees.

There is no need to have a special permission to register a joint venture company with a foreign investor participation, with the exception when the value of the investment exceeds more than 100 mln. US\$.

In this case the approval from the Russian Government should be received. In general restrictions for foreign participation are applied for several trends, such as:

- a). Stock exchange dealing, including Government share (clearance of the Ministry of Finance is required);
- b). Banking (permission of the National Bank of Yakutia is required);
- c). Geological prospection and exploration of mineral resources (license from the Ministry of Industry of Yakutia is needed).

Among other restrictions there are:

- a). the business in the field stock exchange and Government stocks, shares (clearance of the Ministry of Finance is required);
- b). the business connected with banking activities (permission of the National Bank of Yakutia is required);
- c). the business in the field of geological investigation and exploration of mineral resources (License from the Ministry of Industry of Yakutia is needed).

The property of foreign investors may be imported to Yakutia on a tax free basis. The profit after payment of the relevant taxes and fees can be reinvested, expatriated or compensated (Article 25 of the Law).

Priorities

Among the top priority trends of investment cooperation the following could be mentioned:

- setting up of joint ventures in diamond processing industry, manufacturing of diamond tools, gold extraction industry and jeweller production;
- establishment of export oriented oil and gas extraction industry as well as medical biological industry;
- modernization of energy and food processing industry;
- setting up of modern construction industry;
- development and modernization of transport and telecommunications infrastructure, establishment of tourist industry.

Different forms of cooperation could be applied for the above trends. These are: joint shareholding, fully owned foreign enterprises, subcontracting, venture cooperation, turn-key

construction, industrial and financial leasing, production sharing, bank loans for development of export oriented industries. As one of the forms of attraction of foreign investment it might be provision of a loan from the Government of Sakha Republic guaranteed by the Golden Deposit and Diamond Fund.

In several cases the structural reequipment of the economy could imply concession agreements for mineral resources extraction. The terms of cooperation in such a case shall involve selling of a part of production in internal market, reinvestment in site and buildings reconstruction as well as for social purposes, application of modern ecologically sound technologies allowing complex extraction of mineral resources.

Taxation of enterprises with foreign participation.

The enterprises with foreign investments and fully owned foreign enterprises are subject to the same taxation regime as the other enterprises operating in the Sakha Republic. The enterprises with foreign participation pay the same taxes, enjoy the same incentives and bear the same financial and administrative responsibility for violation of the taxation laws.

At the same time there are several specific features of taxation which those enterprises may enjoy. They are the following:

- for the production dealing enterprises, registered after 1 January 1994 and having foreign part of paid off share capital not less than 30% (which should equal to not less than 10 mln. US\$)
 - the income tax deferral consists of two years,
 - the income tax is reduced to 50% and 30% on the 3rd and 4th years namely;

 - for production period from 16th July 1994 delivery of goods to the Russian Federation carried out by Foreign Governments and international financial organizations are not subject to value added tax and special tax for import (excluding excise duty goods). The same incentive is applied for goods (excluding excise duty goods) imported in terms of reimbursement of former Soviet State credits and credits of the Russian Federation to foreign states.

 - The income tax is not imposed to the income reinvested on the shareholding base in industrial and non industrial fixed assets. The same incentive is applied for the reimbursement of bank loans and investment loans in foreign currency obtained for investment in fixed assets from foreign and international banks.

 - As compared with Sakha enterprises, the enterprises with foreign capital are enabled to accumulate reserve funds. The amount of such funds should not exceed 25% of a share capital. Not more than 50% of the taxable profit could be transferred to that fund.
 - The amount of wages is standartized and can not exceed the four minimum legally stipulated wages of the workers. It is included in the production costs.
- This item is not applied to the fully owned foreign enterprises and for the business representations of foreign companies in the Russian Federation as well as for companies from the CIS countries.

The other part of tax incentives which are general for Sakha and foreign enterprises includes:

a). the allowance to exclude from the taxable profit the expenditures for:

- reconstruction, technical modernization, expansion, starting up of new production for the oil and gas, coal enterprises, the enterprises under conversion, pharmaceutical and medical equipment, foodstuff production and processing enterprises, consumer goods. The same incentive is applied to the expenditures for non industrial fixed assets investment for social purposes in other trends of the Sakha economy,
- up to 30% of the expenditures for ecological purposes,
- expenditures bore by an enterprise fully or jointly with other enterprises) for social welfare buildings such as hospitals, revalidation houses, kindergartens, schools, dwelling apartments for working staff,
- salutary sponsorship,
- expenditures for ecological and sanitary funds, invalid, religious, educational organizations, public health ,social welfare, culture and cinematographic organizations, sporting associations. For such purposes up to 3% may be excluded from taxable profit.

b). Tax incentives which could be enjoyed by small enterprises with the average number of workers up to 200 persons, and they involve:

- exclusion from the taxable profit the part directed to construction, reconstruction and modernization of the industrial fixed assets, adaptation of a new technology and machinery,
- 2 years income tax deferral starting from the date of legal registration of companies, dealing with production and processing of foodstuff, consumer goods production, construction, repair-construction and construction materials production provided that the revenue from the above activities exceeds 70% of the general income of an enterprise,

c). Incentives which allows to apply the procedure of "losses carried forward" . The part of the profit spent for reimbursement of losses bore in the previous year is not subject to income tax. The term of reimbursement could last 5 years provided the full coverage of losses from the reserve fund,

d). Incentives which envisage the twofold decrease of the value of income tax. It could be enjoyed by the enterprises having not less than 70% of pensioners and disabled people,

e). Incentives which envisage total removal of income tax. It is applied to the enterprises manufacturing special orthopaedic goods, revalidation goods and disability prophylactic goods.

Taxation of income of foreign juridical persons

Subject to taxation are considered foreign juridical persons set up according to the laws of their mother countries and operating in the territory of the Russian Federation. The income tax for foreign juridical persons consists of 32% for their main line of business and 45% for commercial mediators activities.

Tax on profit from freight services consists of 6%, tax on dividends - 15%, whereas the banks are charged with 18% tax for the above services. For the other types of profits the tax consists of 20%.

Privatization of the State property and creation of joint stock companies

The number of private enterprise registered in Republic amounts to 3805, 83 of them account for industry, 2691 for agriculture, 438 for construction, 135 for trading. At the moment from the overall volume of privatized enterprises 85% account for transport sector, 16% - for industrial sector, 25% for trading and public services sector, 38% for construction, 80% for agriculture. The Republican policy aimed at the expansion of individual farms and backed by Government support for purchasing cattle and agricultural machinery resulted in keeping the total number of cattle on the same level and creating of a stable base for an agricultural sector. 21% of the hay-mowing is held by a private sector, whereas it maintains 45% of cattle and horses.

The privatization in the Republic is mainly proceeded through selling of the enterprises in the investment auctions. This way of privatization has been applied for 68% of the enterprises. 60% of the enterprises were converted into joint stock companies. Among the three types of privatization incentives the third one remains the most preferable one. It allows the workers to hold 62% of shares. At the moment the process of privatization of river shipping companies, oil and gas and energy companies is bound to be completed.

Regulations of the procedure of entrance, departure and travelling

All the foreigners wishing to visit Sakha Republic shall have viable passports and visas. The authorization for entrance and journey in Sakha Republic is issued by the Consulate of the Foreign Ministry of the Russian Federation. The foreigners wishing to visit Sakha Republic shall submit to the Protocol department of the Ministry of Foreign Relations of Sakha Republic a written notification not later than 5 days before the trip.

The responsible legal body for arranging the procedure of official journey of the delegations and specialists of Sakha republic abroad is Passport and Visa department of Ministry of Foreign Relations of Sakha Republic that operates according to the order N. 31-R of 11 March, 1992 of the President of Sakha Republic. The department is to ensure control for the expediency and effectiveness of official journeys.

The decree of the Government of Sakha Republic N.419 of Sept.,1992 stipulates a special procedure of entrance, registration and journey in the following regions of the Republic: Anabarsky, Allaykhovsky, Aldansky, Budunsky, Mirninsky, Nizhnekolymsky, Oymyakonsky, Tomponsky, Ust-Zhaysky, Ust-Iansky and Nerungri city. The entrance of the foreigners to the territory of those regions is allowed by the invitation of the Administrations of those regions and Nerungri city and if the territories of the national rural, councils are involved local police departments are to be notified.

The foreigners arrived to the regions with special regime shall register themselves in the local police departments within 3 days. The latter body issues a special uniform pass for the entrance in those regions. If a foreigner visits Sakha Republic by the invitation of the Government of the Republic, it is more convenient to book the hotel, car and arrange escort and trip schedule with the Protocol department of the Ministry of Foreign Relations of Sakha

Republic.

5. Registration of International Cooperation

To establish contacts between a foreign partner and Jakut private enterprises or organizations the following legal bodies could be contacted:

a). The Ministry of Economy of Sakha Republic. Mr. Alexander A. Kougaevsky, the Minister.

Tel. (7 411 22) 2 42 36

Fax. (7 411 22) 4 31 59.

b). The Ministry of Foreign Relations of Sakha Republic. Mr. Vitaly P. Artamonov, the Minister.

Tel. (7 411 22) 2 25 67

2 36 96

Fax. (7 095) 230 29 19

(7 50 985) 4 10 20

(7 411 22) 4 19 39

Tlx. 613497DIPL SU

c). Chamber of Commerce and Industry and Association of Business and Cooperation with Foreign Countries:

Chamber of Commerce and Industry of Sakha Republic (Yakutia) 677000 Yakutsk, Stduhin Street, 63/1 Tel: 4 24 78, Fax. 4 24 78., Mr. S. Sidorov.

d). The UNIDO Moscow Centre. In accordance with the agreement concluded between the Ministry of Foreign Relations of Sakha Republic and UNIDO Moscow Centre the promotion of investment projects in Republic of Sakha is implemented jointly. Contact person in UNIDO Moscow Centre: Mr. A. Tkachenko. Tel (095) 198 99 09 Fax (095) 943 00 18.

References:

1. The Republic of Sakha (Yakutia), November 1994.
2. File of Investment Projects of the Republic of Sakha (Yakutia), Messins Editor, 1994.
3. The working Report of Economical Development in Yakutia, March 1995.

INVESTMENT CLIMATE IN THE KRASNOYARSKY KRAI

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1. Introduction

As an administrative unit the Krasnoyarsky Krai was established in December 1934 and is the second largest administrative unit in Russia. The area is two million 340,000 square km. There are two national okrugs - Taymyrsky and Evenkiysky, 42 regions and 24 towns in the Krai. The urban population makes up 74%, the rural-26%.

The population of the Krasnoyarsky Krai is 3050.5 thousand and it is the second largely populated Krai in Central Siberia. The Krai is populated by many nationalities: the Russians - 86%, the Ukrainians - 3.3%, the Germans - 1.5%, the Byelorussians - 0.9%, the Chuvashs - 0.8%, the Mordva - 0.4%.

The climate of the Krasnoyarsky Krai is continental. The snow lies during 208 to 320 days in Northern regions and 100 to 130 days in the South of the Krai. The ice zone and the zone of arctic deserts lie in the northern part of the Krai. There are about 16 thousand lakes in the Central and the Southern parts of the Krai.

Great territories in the north are covered by primitive immature tundra soils. In the very center of the Krai, the greater part of the territory is covered by coniferous woods with ciders, pinetrees, larches and fur-trees. The zone of forests and forest-steps are in the South of the Krai.

The office of Regional Administration is located in Krasnoyarsk the capital of the Krai - and there the Department of International and External Relations as well as the Investment Centre of the Krai are functioning to promote investment Programme and Projects.

The existing economic potential allowed the Krai to take an important place in the economy of Siberia and Russia at large. The Krasnoyarsky Krai is the leader of industrial production in Eastern Siberia. The volume of capital investments in the Krai is among the biggest in the Russian Federation.

2. Structure of the Economy

The leading role in the economy of Krasnoyarsky Krai belongs to industry (66.3%), the second most developed sector is construction (14.4%), see Table 1.

Structure of the Gross National Product in the Krai, (%)

Table 1.

	1985	1990	1993
Total	100	100	100
Industry	66.0	66.3	66.3
Agriculture	11.5	11.4	11.3
Construction	13.9	14.0	14.1
Transport and communication	5.5	5.6	5.5
Oother sectors	3.1	2.7	2.8

45% of the labor force is engaged - in industry (1840 thousand people), 18.8% - in construction and 12.6% - in agriculture.

Territorial and Industrial Complexes in the Krasnoyarsky Krai

Within the Krasnoyarsky Krai a few territorial and industrial complexes (TIC) were formed, which are is the combination of enterprises, facilities and structures in a definite branch of industry, with production and social infrastructure of a large territory and with highly concentrated natural resources essential for economic development of Russia.

a). Kansko-Achinsky TIC is located in the central part of the Krasnoyarsk Krai and stretches along the Main Siberian railroad taking up the space of 179.5 thousand sq.km. It consists of 9 administrative regions: Achinsky, Kansky, Rybinsky, Nazarovsky, Bogotolsky, Sharipovsky, Uyarsky, Uzhursky and Ilansky. The main prerequisite for the further development of this TIC is huge power and energy resources, rich valuable mineral and natural resources, lumber and a favorable water factor.

b). The Sayany TIC consists of 7 regions, 5 towns, 4 of the regions and 4 towns are in Khakassia autonomous Krai. The cities Abakan, Sayanogorsk, Sorsk, Chernogorsk and Minusinsk are part of the TIC.

The TIC territory is characterized by rich natural resources: fuel and energy, mineral, raw materials, lumber, water, land, etc. The power resources are composed of hydroenergetic resources of Upper Yenisey, making up over 40% of the total Yenisey technical potential and fuel and energy resources of the Minusinsk coal basin.

c). The Lower Angara TIC is established within the borders of seven administrative regions of Krasnoyarsk Angara Region: Kazachinsky, Pirovsky, Yeniseysky, Motynsky, Boguchansky, Kezhemsky and North-Yeniseysky. The total space is 275.5 thousand sq.km. Extremely difficult natural and climatic conditions make the life of the people and economic activity rather complicated. Developing the Lower Angara region is one of the large scale long-term projects that envisages the development of the production potential of the region to the level adequate to its resource potential.

The oil and gas reserves and the proximity to the largest Russian oil field in the South of Evankiya allow to consider the region as the second most promising Krai after Tyumen. The oil and gas reserves of lower Angara region make up 10% of all the reserves of Russia.

Mineral and Natural Resources

The Krasnoyarsky Krai is the richest part of Russia in natural resources. Large natural resources deposits are situated very close to each other and these are most favorable conditions for their development. The natural and mineral resources are represented by large deposits of coal and lignite, oil, gas, ores, manganese and chemicals, such as apatites and phosphorites, graphite, rock salt and magnesites.

25 oil and gas fields have been explored in the Krai. The oil reserves in industrial categories are estimated at 618 mln.tons, gas reserves - at 1126 bln cubic meters and condensed gas over 58 tons. Gas is produced at two gas fields, specifically at the South-Soleninsky gas deposit and the North-Soleninsky gas deposit for the purposes of Norilsky mining and smelting plant.

Coal. The greater part of Kansk-Achinsky and Tunguss basins, Minusinsky, Taymye and part of the Lena basin are located in the Krai. The total explored reserves are estimated at 86.3 bln tons, 7% are industrially developed. Kansk-Achinsky lignite basin is famous for its coal deposits appropriate for open-cut mining. Total reserves are equal 65.8 bln tons (62.2 bln.tons are for open-cut mining). Another advantage of the basin is its location along the Trans-Siberian railroad. Minusinsky basin is located in the Hakassian autonomous Krai in an economically well-developed region with a good transport infrastructure. The coal reserves are estimated at 89 bln tons. The Tunguss basin is considered to be the largest world basin with coal deposits. The reserves of the basin are estimated at 2.3 tril.tons. But the greater part of it is located in remote Northern Krai with adverse climatic conditions for oil production. Two deposits are now being developed.

Iron ore deposits are famous all over the Krai. The ore balance reserves are equal to 2270.2 mln tons, 56% of them are easily enriched ores. Forecasted resources are estimated at 4.5 bln tons. In the Krai the reserves are mainly concentrated in three iron ore regions: Khakasso-Sayansky, Angaro-Pisky and Middle-Angarsky.

Among other natural resources copper, nickel and gold can be mentioned. The Torgashinskoye, Mazulskoye, Kalargonskoye limestone deposits and the Kuznetskoye clay deposit, the Gorozublovskoye gypsum deposit serve as the main source of raw materials for

the operating cement plants. The bauxite reserves have been explored in the interfluvial of the rivers Angara and Podkamennya Tunguska and are estimated as more than 100 mln.tons. The bauxites of the central deposit are unique in the high degree of content of rare and rare-earth metals. The reserves are estimated at 50 mln. tons which is enough for the operation of an average capacity plant. In case of new and advanced technologies introduced it will be possible to produce by-products.

Industry

The economic profile of the Krai is determined by the industry, primarily those branches that are based on processing of rich, diverse and high quality natural resources. Sectorial structure of the main industrial and productive assets are given in table 2.

Sectorial Structure of the Main Industrial and Productive Assets, in %.

Table 2.

	1985	1990	1993
Industry	100	100	100
Energy	16.0	18.4	18.5
Fuel industry	5.1	5.3	5.4
Ferrous metallurgy	1.7	1.6	1.5
Non-ferrous metallurgy	43.3	40.2	40.3
Machine building and metalwork	14.1	16.3	16.4
Chemical and petrochemical industry	3.7	3.2	3.0
Medical and microbiological industry	0.8	0.7	0.7
Lumber, wood-working and paper and pulp industry	6.8	6.7	6.7
Light industry	2.5	1.9	2.0
Food industry	1.9	1.7	1.7
Other sectors	1.0	1.3	1.1

Fuel and Energy industry is the key sector in the Krai. Effective hydroenergy resources and solid fuel reserves made it possible to build a number of hydro power stations in the Krai, such as Krasnoyarskaya, Kureyskaya, Boguchanskaya State power stations, Berezovskaya regional power stations I and II, Krasnoyarskaya regional power station II, and the world northernmost Ust-Khantayskaya State power station. The power production in the Krai reached 90 bln kWt, installed capacity amounted to 20 mln kWt, including the energy produced by the State hydro power stations.

The top-priority task to be achieved in future is to intensify process coal by way of energy technologies receiving dozens of components including synthetic liquid fuel and raw materials for chemical industry. Another goal is to develop and comprehensively exploit oil and gas resources of the Krai discovered in the past few years.

Natural gas is exploited only by the Norilsk industrial region, gas is supplied from the three deposits with the annual production of 85.6 mln cubic meters.

The production of crude oil reached 6.5 mln tons making up 22% of the regional production volume. In recent years the coal extraction has also increased.

Non-ferrous metallurgy is composed of five sub-sectors: nickel and cobalt, aluminium, lead and zinc, gold-mining and metal working. Over 30 heavy, light, alloying and rare-earth metals and chemicals are produced in the Krasnoyarsky Krai. The most important are: aluminium, nickel, cobalt, copper, platinum and gold. Large metal works operating on the territory of the Krai are the Aluminium plant, the non-ferrous plant and the metal works in Krasnoyarsk, Achinsky alumina-cement plant, Gorevsky polymetallic ore mining and processing enterprise. The world northernmost Norilsky metallurgic enterprise produces one sixth of the industrial output of the Krai.

Currently very pure metals for radioelectronic industry are produced in the Krai, such as tellurium, germanium, super pure aluminium and others. Their production is based on conversion technologies developed in Russia. Alloyed steel, copper, nickel, platinum, gold aluminium and other metals are also produced by local enterprises.

The lumber complex is the combination of different sectors of the lumber complex - the wood, stocking, the wood-working and pulp and paper industries - is of great importance for Russia and the world over. The lumber industry and the lumber export of the Krai make up the basis for the whole lumber sector in Russia. The Krai holds the third place in the volume of logging, and the leading place in lumber production. The lumber sector is comprised of over 200 enterprises. The largest are in Krasnoyarsk (the paper and pulp plant), and in the towns of Yeniseysk and Lesosibirsk. The lumber is transported up and down the large and small rivers and by railway.

It must be noted that the lumber industry is developed not uniformly: wood working production lags behind the logging. The wastes are not used to the full extent (bark, sawdust, slab). The development of the lumber industry in future mainly depends on the more intensive pulp processing and the more rational use of forest resources as well as perfecting economic relations.

The chemical industry of the Krai produces a considerable part of high-quality rubbers (about 10% in Russia), tires (15.0%), chemical fibre (12%), antibiotics, blood substitutes and other products, all in all about 300 items. The chemical industry is mainly located in cities and towns, such as Krasnoyarsk, Achinsk, Zaozerny, Kausk.

Engineering Industry provides the production of grain harvester, agricultural machines, carloads, traveling cranes, technological equipment for the light and oil industries. The carloads building and electrotechnical complexes that are built now and the already operating

machine tool manufacturing, instrumental and some other plants are important both for the industry in Russia and abroad. This sector of industry is located in the cities of Krasnoyarsk (80), Yeniseysk (26), Sosnovoborsk, Minusinsk, Divnogorsk, Bogotoi, Nazarov and Kansk. There are about 80 metalworking and machinebuilding enterprises and plants, heavy hoisting and transport machinebuilding, timber logging facilities and equipment, electrotechnical industry, instrumental production, radiotechnical production and space machinebuilding.

Light industries become one of the major industrial sectors in the economy of the Krai. Light industry produces cotton and silk clothes, non-woven materials, silk cloth, linen tricot knitted fabrics, tricot-wear, chrome leather goods, footwear, etc. Such important enterprises as the Chernogorskaya factory of primary wool processing, the Krasnoyarsk silk factory and Kansky cotton factory, Minusinsk glove factory were reconstructed and put into operation in the past 10-12 years.

Food industry comprises meat, dairy, bread baking, confectionery, macaroni, liquor and alcohol, tobacco, milling sectors and the production of bear beverages and wine and is mainly aimed at satisfying the needs of the Krai. Part of the products though arrive from other regions, thus the average consumption of food products per capita reaches the average level in Russia.

Production of building materials fully depends on the situation in the construction, thus the decline in production in the past year equals to 28.5%. This is the result of dramatic reduction of the construction work in the Krai. Cement production fell by 1010 thousand tons (28.2%), including Krasnoyarsky cement plant by 212.5 thousand tons (25.0%), Achinsky alumina amalgamated enterprise - by 700.0 thousand tons (35.4%). The enterprise had to reduce its production for the above reasons and also for the lack of buyers from the near abroad countries because of high prices. The production of building bricks is reduced by 3.0 mln pieces (bul.2%) for the decline in demand and the discrepancy between the difficult working conditions and the low wages. The production of reinforced concrete dropped by 299.6 thousand cubic meters (25.5%).

Transport

All means of transport are used in the Krai. It is the most dynamic part in the economy of the Krai.

The volume of transportation by the general use of transport is illustrated in Table 3.

Cargo transportation volume structure

Table 3.

Means of transport	%
Railway	55.7
Automobile	25.4

River	7.0
Sea	0.8
Pipeline (volume of pumping)	10.9
Air	0.2
Total	100

The total railroad network makes up 3.2 thousand km. and in 1993 74.6 mln.tons load has been transported. The autotransport park of the Krai consists of 120 000 automobiles with a different load capacity. There is an experience of direct transportation to China, Mongolia and Western Europe. 27.3 mln tons of loads were transported by auto transport during the last year.

River transport.

Ship company has a huge passenger and freight fleet, including 11 vessels of the river-sea class. The Yenisey is suitable for navigation for 3487 km, Podkamennaya Tunguska - for 1146 km, the Angara - 316 km. The total water way length in the Krai exceeds 9500 km. In 1993 after the start of navigation 1505.6 thousand tons of cargo were transported from Krasnoyarsk to the Far North regions.

Air transport. The state concern "Krasnoyarskavia" owning the park of modern cargo and passenger aircraft and helicopters is engaged with aviatransportation. There are 193 airports in the Krai with 4 air routes in Russia and 189 airports for local airlines. The airports in Krasnoyarsk (Yemelyanovo), Abakan, Norilsk, Khatanga are of all-Russian importance and can receive planes of the IL-62, IL-76, TU-154 class. 65.7 thousand tons cargo and 3433.0 tons mail were transported by air in 1993. 1714.4 thousand people used aviation transport.

Pipeline transport provides pumping oil from Western Siberia to the Achinsky oil refinery and transit transportation to the regions of Siberia and the Far East. The pipeline transport serves only the Norilsky industrial unit and carries out local transportation. Two lines of the manifold cross the Krai Southern part with the total extension of 600 km. The pipeline Messoyakha-Norilsk 600 km. long runs in the North of the Krai.

Labour Force.

The bulk of the Krai's labour force is 1503.4 thousand people. Employment in major sectors of the economy is the following: agriculture - 146.700, industry - 489.200, forestry - 7.200, transport and communications - 141.000, construction - 224.500, social and personal services - 204.400, science and technology development, culture - 217.000, banking system - 10.500.

There are 13 higher educational institutions (colleges and universities) with 58.9 thousand students. 1716 secondary schools with 453 thousand pupils and 68 - secondary specialized educational institutions with 49.9 thousand students. In recent years the educational chain "School - higher educational institution - school" was complimented by new links allowing

to effectively carry out retraining of personnel, including that of the conversion enterprises. Retraining is mainly exercised by the Siberian Aero-space Academy, Scientific and production enterprise of applied mechanics, the Krasnoyarsk branch of the Russian Academy of Sciences, the Krasnoyarsky State Pedagogical Institute, the Krasnoyarsky State University. Today the Krasnoyarsky State University has its departments in all the research institutes affiliated to the Russian Academy of Sciences science center, it carries out research and personnel retraining in the field of laser and physics, space, mathematics and communication, ecology, biotechnology, materials technology; trains experts in the field of international relations, management and marketing.

3. Foreign Investment Policy

Foreign Investment Policy of Krasnoyarsky Krai is implementing in accordance with the Law of Russian Federation signed on 04.01.1991.

Under this Law foreign investors are guaranteed the same rights identical to those enjoyed by the legal entities and private individuals of the Krai. They will enjoy full unconditional legal protection, which is guaranteed by the present Law. Removal of foreign investments as well as deprivation of "investor" property rights is prohibited. In the exceptional case of withdrawal of foreign investments, objects of investments, and property, adequate compensation must be paid within three months.

Legal system, specific Features of local Regulations

The questions of attraction of Foreign investment are regulated by the Law of Russian Federation on foreign investments of 4 July, 1991. This Law stipulates the notion of foreign investment and the possible objects of foreign investment. It also provides regulations for setting up and liquidation of enterprises with foreign investments, forms and conditions of operation of enterprises with foreign investments. For foreign investors and enterprises with foreign participation the Law determines the procedures of acquiring shares of enterprises as well as other securities and the process of acquisition of land and other property rights.

The enterprises set up according to the Law on foreign investments shall meet the legal regulations of Civil Code of Russian Federation of 1994.

The Constitution of Russian Federation delimits the field of competence of the Federation and the Subject of Federation. The field of competence of Russian Federation expands to determine:

- the system of Federal legislative, executive, judicial bodies and the procedures of their functioning;
- the notion of Federal State property and procedures of administration of it;
- the Federal policy and Federal programs in state, economic, ecological, social, cultural, and national development of the Russian Federation;
- legal base for common market system.
- financial, foreign currency, credit, custom procedures, issue of national currency, pricing policy;

- federal taxes and fees;
- foreign economic relations of the Russian Federation;
- court and public prosecution structures;
- civil, legal, procedural, arbitration laws;
- intellectual property rights;
- federal arbitration rights.

The complete list of items under competence of the Federation is stipulated in the article No.71 of the Constitution of the Russian Federation.

The exclusive competence of the Subjects of the Russian Federation extends to all items not included in the field of competence of the Federation, as well as the items of joint authority of the Federation and the Subject of the Federation.

Under the joint authority of the Russian Federation and the subjects of the Russian Federation the following items could be mentioned:

- property rights and rights on exploiting land, bowels of the earth, water and other natural resources;
- delimiting of State property;
- exploiting natural resources;
- protection of nature and ensurance of ecological safety;
- determination of general structure of taxation and fees in the Russian Federation;
- administrative, administrative-procedural, labour, family, dwelling, land, water and forest laws, law on bowels of the earth, law on protection of the nature;
- coordination of international and foreign trade relations of the Subjects of the Russian Federation;
- implementation of international agreements of the Russian Federation.

According to the Constitution of the Russian Federation the Krasnoyarsk Region is entitled (under the field of its competence) to issue laws of regional significance. The laws are issued by the legislative Council of the region. The laws issued by the region shall not be in contradiction with the relevant laws of the Russian Federation. In the opposite case the law of the Russian Federation is considered to be in vigour.

The Administration of the Krasnoyarsky Region is entitled to take decisions of operational and day by day management.

Regional Foreign Policy towards Foreign Investment.

From 1989 to 1991 there were substantial changes in foreign trade activity of the region. Primarily, the juridical persons were entitled to have the right for foreign trade activity. There are necessary bodies organized for ensuring external trade activity such as: customs, External Trade Bank subsidiary, Department of the Representative of the Ministry of Foreign Economic Relations of the Russian Federation. Numerous external trade companies have just started operations. There are more than 25 joint ventures legally registrated in the region. Several large construction projects are being implemented along with foreign companies. The cooperation in the field of science, medicine and culture is widely developed. The emphasis in foreign investment attraction is primarily made on finalizing of prospecting works, extraction and processing of oil and gaz resources.

Liberalization of external trade activity which had started in 1991 brought to life substantial changes in the system of foreign trade relation of organizations and enterprises of the region. The centralized system of foreign trade relations had been changed in favour to the direct relations, the procedures of registration of foreign trade companies were simplified, the ceasing of several functions from Federal to regional levels resulted in the increase of number of foreign trade companies and facilitated their activities.

Investment Priorities

A specific priority trends of investment cooperation in Krasnoyarsky Krai economy traditionally is export oriented products which are dispatched to a hundred and twenty countries. Apart from the world-known Krasnoyarsk lumber and timber, non-ferric metals, chemicals, coal and oil derivatives, there is a high demand in the market for Krasnoyarsk-produced grain combine harvesters, river boats, walking excavators, automobiles and satellite communications.

In 1994 Krai industries supplied about 2 bln.worth of goods for export and 800 mln.worth of goods have been imported.

The export front-runners in the region have for some time been the production association of Norilsk mining and smelting combine (37.7 per cent of the Krai's total exports), Krasnoyarsk aluminium plant (35.4%) and enterprises of Yeniseilesoeksport (8.2%).

Like in the former time, the export is based (to 91.8 per cent) in raw materials. The exported consumer goods, plant and machinery accounted for 3.9 and 0.7 per cent, respectively.

There are three basic interests in the Krai's potential investments.

The first is natural resources and primary processing. In terms of discovered mineral resources, the Krai is one of the first in Russia. It concentrated 40% of the country's coal, the biggest oil and gas fields, second only to Tyumen, major deposits of nickel, copper, molybdenum, rare and trace metals, gold and magnesites. Out of seventy most widely employed metals, the territory of the Krai has been found to contain deposits of 63.

The second is high technologies. Science-intensive industries have been mostly the Krai' defence enterprises which grew particularly rapidly in post-war times. They comprise satellite and missile industries, fine radiochemical synthesis, biochemistry, material sciences and electronic engineering.

The third interest is the immense market of goods and services virtually unexplored by foreign businesses. In expert evaluation, the efficiency of trade in the Krai greatly exceeds the risk of real investments.

Taxation of enterprises with foreign participation.

The enterprises with foreign investments and fully owned foreign enterprises are subject to the same taxation regime as the other enterprises operating in the Russian Federation. The enterprises with foreign participation pay the same taxes, enjoy the same incentives and bear the same financial and administrative responsibility for violation of the taxation laws.

At the same time there are several specific features of taxation which those enterprises may enjoy. They are the following:

- for the production dealing enterprises, registered after 1 January 1994 and having foreign part of paid off share capital not less than 30%;
- the income tax deferral consists of two years;
- the income tax is reduced by 50% and 30% on the 3rd and 4th years namely;
- from 16th July 1994 delivery of goods to the Russian Federation carried out by Foreign Governments and international financial organizations are not subject to value added tax and special tax for import (excluding excise duty goods). The same incentive is applied for goods (excluding excise duty goods) imported in terms of reimbursement of former Soviet State credits and the Russian Federation to foreign states;
- the income tax is not imposed to the income reinvested on the shareholding base in industrial and non industrial fixed assets. The same incentive is applied for the reimbursement of bank loans and investment loans in foreign currency obtained for investment in fixed assets from foreign and international banks;
- as compared to Russia enterprises, the enterprises with foreign capital are enabled to accumulate reserve funds. The amount of such funds should not exceed 25% of share capital. Not more than 50% of the taxable profit could be transferred to that fund.
- the amount of wages is standartized and can not exceed the four minimum legally stipulated wages of the workers. It is included in the production costs.

This item is not applied to the fully owned foreign enterprises and for the business representations of foreign companies in the Russian Federation as well as for companies from the CIS countries.

Taxation of income of foreign juridical persons

Subject to taxation are considered foreign juridical persons set up according to the laws of their mother countries and operating on the territory of the Russian Federation. The income tax for foreign juridical persons consists of 32% for their main line of business and 45% for commercial mediators activities. As income derived from the activity in the Russian Federation it is considered :

- the dividends (incl. income of a foreign partner in JV), income from copyrights and licenses, freight income, leasing fees, fees from managerial services and all other types of income derived from providing services in the RF and not related to the activities of permanent

representations of foreign companies in the Russian Federation. Tax on profit from freight services consists of 6%, tax on dividends - 15%, whereas the banks are charged with 18% tax for the above services. For the other types of profits the tax consists of 20%.

Privatization

From the start of the process 1143 enterprises and other objects were privatised. In sectors of economy the number of privatised enterprises is distributed as follows: Industry - 244, construction - 64, light industry - 73, food industry - 55, agriculture - 20, trade - 478, public service - 225.

The privatization in the Republic is mainly proceeded through selling of the enterprises at the investment bindings/auctions. For the majority of the enterprises this way of privatization has been applied.

Regulations of the procedure of entrance, departure and travelling

All the foreigners wishing to visit Krasnoyarsky Krai shall have viable passports and visas. The authorization for entrance and journey in Krasnoyarsky Krai is issued by Consulate of the Foreign Ministry of the RF.

4. Registration of International Cooperation

To establish contacts between a foreign partner and enterprises in the Krai the following legal bodies could be contacted:

- a). Administration of Krasnoyarsky Krai, Krasnoyarsk City, Tel. 49 33 63, Fax. 22 11 78, Name: Mr. V. Kuzmin - Deputy Head of Administration.
- b). Department of International and External Relations at the Administration, Krasnoyarsk City, Tel. 49 32 33, Fax. 22 44 83, E.mail: avpeforeco.Krasnoyarsk.SU, Name: Mr. V. Ovchinnikov - Head of Department.
- c). Investment Centre of the Krai, Krasnoyarsk City, Tel. 21 34 48, 21 34 04, Fax. 21 34 48. Name: Mr. M. Kuzenkov - Director.
- d). The UNIDO Moscow Centre. Mr. M. Tiapkin Tel. (095) 956 95 93, Fax (095) 943 00 18

References:

1. New Territories of Progress (Krasnoyarsky Krai), 1994.
2. Passport to the Newworld, Special Issue, January 1994.
3. The Working Report on Industrial Development of Krasnoyarsky Krai, 1995.
4. Report of the Head of Krasnoyarsk Administration, Moscow 1993.
5. Economic Survey of Krasnoyarsk Area, V. A. Vashanov, Y. G. Chistykov, 1994.

INVESTMENT CLIMATE IN THE ORENBURG REGION

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1. Introduction

The Orenburg Region is situated 1.500 km south-east of Moscow and easily accessible from Europe, Central Russia and Central Asia. The territory of the region extends 750 km east and 350 km south. The total area is 1 239 000 square km and the population is 2.2 mln, 65% people live in the urban and 35% in the rural areas. There are more than 80 nationalities living in the region: 72% Russians, 7.3% Tartars, 4.7% Ukrainians and 2.4% Chuvashi. The climate is sharply continental, in winter time the temperature is up to -40C and +40C in summer.

50% of labour population is located in the urban area and in the eastern part of the Orenburg Region.

Professional manpower is available. There are 5 Universities, such as Polytechnical, Agrucultural, Medical, etc. and 6 Filials. In addition to these there are 47 high professional schools. The Administration of the region is located in Orenburg. The Department of International and Foreign Relations is responsible for the promotion of Investment Programmes in the region.

2. Structure of the Economy

The economy of the Orenburg Region is very well developed and diversified. An industrial base covers almost all areas of manufacturing activity, its rapidly growing consumer market.

With availability of highly trained personnel and adaptable labor force the region offers good opportunities for industry development, trade and investments. The Orenburg Region is well known as agriculture producer, particularly hard grades of wheat with 3.6 mln hectares of pasture and 643.000 hectares of meadows. The region also rears thousands of goats and sheep producing 8.000 tons of wool per year.

Mineral and Natural Resources

The Orenburg Region is one of the few areas of Russia which is extremely rich in mineral deposits.

More than 75 minerals have been discovered in more than 2.500 surveyed deposits and almost all of them are of industrial significance. Brown coal with balanced reserves of 800 mln, for example, is generally suitable for open mining.

The region has large reserves of gas and oil and produces 6% of all gas output in Russia per annum (35 bln.sqm). A gas field which is believed to be the second one in Europe. The gas is distinguished for its multicomponent composition including ethane, butane, propane, sulphur, helium and condensate. This is a composition which can be used as an energy source or a valuable chemical raw material.

Overall annual output of oil is currently between 8.4 and 8.5 mln tons.

Key products include: various grades of gasoline, kerosene, diesel fuel, a range of lubrication oils, petroleum jelly and oil asphalt.

The Orenburg Region has 8 deposits, with aggregate reserves of 770 mln tons. Brown coal open pit mining is represented by the Tjulgan mine, which has commercial reserves of 202.6 mln tons. Its annual production is approximately 3.3 mln.tons.

Table 1.

Mineral reserves	
Gas	821.1 bln cubic meters
Oil	127.4 mln.tons
Brown Coal	782.9 mln.tons
Combustible shales	4 bln.tons
Iron ore	415.1 bln.tons
Marble	10 mln.cubic meters
Granite	3 mln.cubic meters
Copper ores	30 mln.tons
Salt	822.7 mln.tons

The Orenburg Region is rich in non-ferrous metals such as copper, nickel, zinc and lead.

Reserves of asphaltite are estimated at 9 mln.tons which contain approximately 60.000 tons of vanadium pentoside and 7.000 tons of nickel oxide. Asphaltite is found at a depth of 408-416 meters in sheets of 1-7 meters thick.

Industry

Industry is the leading branch of economy in the Orenburg Region, which plays an important role in the economy of Russia. Nowadays the Region produces 5% of ferrous metals, 7% of natural gas, 20% of metallurgical equipment, 26% of electric motors, 24% of forging press equipment, 11% of refrigerators, 6% of vacuum cleaners, 30% of asbestos, 6.5% of silk fabric, 3% of cotton knitted goods, 13% of table salt, 12% of canned meat, 8% of groats and 3.5% of animal oil from the whole production of Russia. The Orenburg industry produces

a considerable part of non-ferrous metals, sulphur, helium, etc. Heavy industry predominates in the structure of Orenburg economy, its production comes to 67.4% from the whole industry of the region, the cost of industrial funds comes to 93.6% from the funds available in Orenburg economy. Fuel and energy, engineering and metallurgical industries are most developed, which produce 60.2% of the whole industrial production of the region. Light and food industry are also well developed.

Gas industry was developed on the base of Orenburg gas-condensate deposit. It was formed in 1966 and became known as one of the biggest in Europe (1.8 bln. cub.m. in store). The Orenburg gas consists of numerous components: methane (83.8%), ethane (4.6%), propane (1.6%), butane (0.8%), etc. Nowadays the volume of gas production per year comes to 44 bln.cub.m. This complex for gas production applies modern technology and is one of the biggest in the world. It produces sulphur-hydrogen gas and includes drilling boreholes, gas, condensate and oil production, transportation of gas to customers. It produces dry gas (41.1 bln.cub.m. per year), the best quality sulphur in Russia (1.2 mln.tons), stable condensate (4.2 mln.tons), light hydrocarbons, liquid gas and odorant.

Not far from the gas production complex one of the biggest in Europe helium plant was built. It produces 15 bln.cub.m. of gas per year. The products of the Orenburg gas complex is supplied to other regions of Russia, to the CIS states and to the countries of Europe.

Oil Industry is represented by Orsk oil processing plant and Orenburg oil - grease plant.

Coal Industry of the region is concentrated in Tjulgan which has 202.6 mln.tons in store.

Metallurgy produces 6.9% of the whole industrial products of the region. It is represented by one of the biggest metallurgical plant at the Ural region - Orsk-Xalil Plant in Novotroitsk. It exports its products to all the CIS countries and to the USA, Germany, Switzerland and other countries. In 1991 the plant produced 2.5 mln.tons of pig iron, 3.8 mln.tons of steel and 2.8 mln.tons of rolled stock. The development of copper industry is explained by big deposits of copper. One of them is known as the Gai deposit of copper pyrite which contains 45% of copper in the Ural region.

Engineering Industry produces 18.1% of gross industrial production in the region. Electrical, tractor, agricultural, transport engineering, machine tools and heavy industry are well developed in the region.

Civil engineering

Availability of such natural resources as limestone, mail and marble, gypsum, brick and expanded clay, sand and gravel mixtures, blast furnace slags favored the development of building material industry. In Novotroitsk there is a big cement plant which produces 1.2 mln.tons of cement per year. The products of this plant are consumed not only by the region but also by the whole Russia.

Chemical Industry

Three big plants - Orenburg Rubber Plant, Orsk Plant of Synthetic Alcohol and Novotroitsk

Plant of Chrome Compounds mainly produce chemical products in the Orenburg Region.

Forestry, wood working and wood-pulp and paper industry produces 1.1% from the volume of the industry production of the Orenburg Region.

The Light Industry plants produce 10.6% of the industry production in the region. They are much better equipped than the plants in other regions of the Russian Federation. Textile industry produces silk fabrics, cotton knitted goods and downy shawls. Shoe industry produces leather, rubber and fulling shoes.

Food Industry

The main branches of the food industry in the Orenburg Region are dairy and meat industry, butter, cheese and flour and cereals industry.

Electrical Power Engineering

Thermal power stations are based on utilizing of natural gas and residual oil as fuel. The electrical power stations produced 23.4 bln.kWh of electric power.

Transport

Transport in the Orenburg Region includes all the types of modern freight and passenger transport. There are 21 local airports in the region and one for flights within Russia.

For intercity transportations automobile transport is most important in the Orenburg Region. The extent of roads in the region is 20539 km; together with factory conveyance and hoisting it comes to about 30.000 kms. As to transportations to other regions railway transport is more preferable. The extent of the railway roads in the region is 1774 km, 615 km (37.7%) of them are electrified. The extent of oil pipeline in the region is 2000 km, gas pipe-line - 2700 km.

3. Foreign Investment Policy

Investment Policy of Orenburg Region is in agreement with the Law of Russian Federation signed on 04.01.1994.

Under this Law foreign investors are guaranteed the same rights identical to those enjoyed by the legal entities and private individuals of the region.

At present the problem of attraction of foreign investment credits is a most essential one for Orenburg Region in particular. That's why the development of legislation of Russian Federation and everyday practice of regions are oriented into the creation of the most suitable conditions for foreign investors. In general, foreign credits can basically be provided with the help of following collaterals:

- long term mineral resources delivery agreements;
- various forms of mortgage.

The annual volume of regional quotas allocated to Orenburg Administration is about 300-350

thousands tones of crude oil, 200-250 thousands tones of black mineral oil and 20-25 thousands tones of diesel oil, export of which can become a guaranteed form of paying back a credit.

Within the frames of this credit agreement the Administration is ready to deal with different profitable investment projects, including the agreements based on sharing the products produced.

Investment Priorities

The developing legislation of the Russian Federation created the possibility of usage of mortgage mechanism. "The basic mortgage". This Law enabled every subject having equity in private property to use this equity as a mortgage. Among the potential items which can be offered by the regional administration as the object of mortgage one may point out in accordance with legislation of the Russian Federation the following:

- enterprises and complexes of enterprises which are estimated as regional property;
- securities, including bonds of Minfin and stocks of newly privatized enterprises;
- rights for the exploitation of oil and gas fields.

a). Enterprises, which are estimated as regional property, include highly developed technological ones from a former military - industrial complex, complexes of food processing, various machine-building enterprises. All their equity can be used for mortgage. For the enterprises which are still partly state-owned, the mortgage agreement should get the approval of the Regional Committee for governing of regional property. In accordance with the recent President of the Russian Federation Decree, regulating the status of land in the period of economic reforms, land can become a private property and correspondingly an object of mortgage. It means that various enterprises and complexes of enterprises can become an object of mortgage which will guarantee the investment credits.

b). After the well known "freezing of accounts" in Vnesheconombank and the following conversion of accounts into bonds, Orenburg administration possesses a number of these bonds with a cost of about 3 mln.\$ and we are free to choose the way of their usage, in particular as a collateral.

A new phenomenon for the Russian Federation is the secondary market of securities. Today we are in the process of its formation but the importance of companies shares is increasing and they really mean the possession of companies equities. All kinds of operations with securities are permitted on the territory of Russia.

c). A new form of investment is the attraction of foreign credits for exploitation of oil and gas fields. According to our legislation natural wealth fields cannot become a private property. But you can get the right (in a form of license) for its exploitation. The licenses are issued by the regional authorities together with the local branch of geological committee of Russia. In case of foreign investors seeking for the right for exploration, a competition is organized. Conditions and terms of competition should be published in ahead. The Orenburg Region can offer a number of oil fields for such competitions. Additional information concerning this matter can be obtained though representatives of local authorities.

Taxation of enterprises with foreign participation

Taxation of foreign investments enterprises is made under general rules except profit tax.

According to international agreements made by Russia, foreign investment enterprises have the right to obtain exemption from taxation of income resulted from distribution of profits of such enterprises. For this purpose the enterprise should submit an application for tax exemption or reduction to taxation bodies. The enterprise will make a payment of taxes depending on the decision of the taxation body.

When calculating taxable profits, gross profits of foreign investments enterprises should be reduced by the amount of deduction to reserve or other funds which, in accordance with the legislation, are created by the enterprises. The creation of such funds is stipulated when the size of these funds is achieved, not exceeding 25% of the authorized fund. The amount of deductions to such funds should not exceed 50% of the taxable profit.

In accordance with Article 13 of the Law "Tax On Profits Of Enterprises And Organizations", the amount of profit (income) gained outside RUSSIA is included in the total amount of profit taxable in Russia and is counted when determining the amount of the tax.

The amount of tax on profits gained outside Russia is paid by enterprises abroad under the laws of other countries while is set off when paying the profit tax in Russia. The table 2 shows tax rates for enterprises with foreign participation and investments.

Structure of Taxes

Table 2.

Basic Federal taxes:	%
1. Value Added Tax	20%
2. Tax on enterprise profit	13%
3. Special tax on enterprises	3%
Basic regional and municipal taxes:	
1. Tax on enterprise profit	25%
2. Enterprise property tax	2%
3. Tax for maintaining public health, education and law-enforcement bodies	1%

Tax rates on some types of income gained by foreign participants from foreign investment enterprises is under current legislation and international agreements on elimination of double taxation.

Imposition of customs duties

Any property delivered to the territory of the Russian Federation as a contribution of foreign investors to the authorized funds of enterprises with foreign investments during the term set by the documents of association, as well as the property designed for material production proper, shall be relieved from customs duties and no tax is imposed on the import.

Property delivered to the Russian Federation by foreign workers of enterprises with foreign investments for their own needs shall be free of the customs duties.

Goods delivered to the territory of the Russian Federation as contribution to authorized funds of enterprises with foreign investments during a year starting from the date of registration shall be free of the value added tax.

Enterprises wholly owned by foreign investors and joint ventures that have over 30% of foreign investment in their authorized fund need no license to export their own products as well as to import products to meet their necessities, except cases envisaged by the international treaties in force on the territory of the Russian Federation.

Currency earnings of such enterprises of the export of their own products stay fully in their disposition. Export and import of any other products (services) shall be effected by all enterprises with foreign investments on general grounds.

Transfer of payments abroad

After paying correspondent taxes and duties, foreign investors are guaranteed free transfer of payments abroad according to the investments made by them if these payments were received in foreign currency, in particular:

- a). investment incomes including those gained as profit, share of profit, dividends, interest as license or commission fee, fees for technical assistance and service and other kinds of payments;
- b). costs payed on the basis of rights of monetary claims and claims to fulfil contractual obligations of economic importance;
- c). costs that the investors get on partial or complete liquidation or sale of investments;
- d). money received by foreign investors as compensation for losses, including lost of profit, caused to the foreign investors by nationalization, requisition or confiscation of foreign investment.

Use of Rouble Funds on the Territory of the Russian Federation

Payments mentioned in items a), b), c) and d) and received by foreign investors in roubles on the territory of the Russian Federation may be reinvested on this territory and be used according to the active legislation of the Russian Federation.

Foreign investors may keep their money in roubles on current and clearing accounts in banks which are on the territory of the Russian Federation and hold corresponding license of the

Central Bank of Russia, but they have no right to transfer their money in roubles from these accounts abroad.

Foreign investors may use their roubles from such accounts to purchase any foreign currency on the internal currency market in the way stipulated by the active legislation of the Russian Federation.

The enterprises with foreign investments, that manufacture products replacing the imported ones, may convert their profits in roubles in foreign currency at a rate not exceeding the rate of the Central Bank of the Russian Federation.

4. Registration of International Cooperation

The procedure of establishment of enterprises with foreign investments on the territory of a region of the Russian Federation and their functioning are controlled by the following standard acts:

- 1). Law "On Foreign Investments in RSFSR" of 4th July, 1991.
- 2). Law "On Property in RSFSR" of 24th of December, 1990.
- 3). Law "On Enterprises and Entrepreneur's Activity" of 25th of December, 1990.
- 4). Decree of the Council of Ministers of RSFSR N 601 of 25th of December, 1990 "On Approval of the Regulation of Joint-stock Companies".
- 5). Decree of the Government of RSFSR N 78 of 28th of December, 1991, "On Approval of Regulation of Use and Circulation of Securities and on Stock Exchange Markets in RSFSR".
- 6). Decree of the Government of RSFSR N 26 of 28th of November, 1991 "On Registration of Enterprises with Foreign Investments".

Enterprises with the total of foreign investments under 100 mln.roubles are registered by the Department for International and Foreign Economic Relations of the Region's Administration. If the total of foreign investments into the established enterprise exceeds 100 mln.roubles or if it belongs to such branches of industry as oil and gas extraction, oil and gas processing or coal mining, then registration is done by the Russian Agency for International Cooperation and Development (Moscow, lane Georgievsky, 2).

To register the established enterprise "xxx" the founders are to submit to the Department for International and Foreign Economic Relations (Department for I & FER) the following documents:

- written application signed by all the founders (the application is addressed to V.I.Mirkitanov, the Head of the Department for I & FER of the Administration the Orenburg region);
- foundation documents of enterprise "xxx" (minutes of the constituent meeting, charter, treaty on establishment);
- notarially attested copies of the establishing documents for each Russian legal person participating in establishing the enterprise "xxx".
- minutes (or and extract from the minutes) of the meeting of the top managing body of each Russian legal person participating in establishing enterprise "xxx", with a decision

to participate in establishing a joint venture;

- conclusions of the corresponding commission of experts (ecological, sanitary - epidemiological and others necessary);

 - letter of guarantee giving a legal address to the new enterprise "xxx";

- document confirming financial solvency of the foreign investor, issued by the bank servicing this investor or by some other credit and financial institution (with attested translation into Russian);

- a copy of the Certificate of registration in the country of location of the investor, or an extract from the trade register of the country of origin, or any equally valid testimony of the legal status of the foreign investor in accordance with the Law of the country of his location (with attested translation into Russian);

- notarially attested copies of establishing documents of the foreign investor (only in case of the established enterprise is wholly owned by the foreign investor) - accompanied by attested translation into Russian;

 - State duty receipt for registration (2000 roubles).

Within 21 days after the date of submitting the documents for registration Department for I & FER must register the enterprise or prepare a substantiated rejection to register.

A provisional certificate of the form of the Department for I & FER is issued to the registered enterprise. This provisional certificate is valid during one year from the date of the enterprise registration (till 100% of the authorized fund are invested) giving the enterprise the right to carry out all kinds of economic activity on the territory of the Russian Federation. After the enterprise invests 100% of the authorized fund as stated in establishing documents, it receives a permanent certificate of registration on the form of standard type.

After registration by the territorial administrative bodies all enterprises with foreign investments must be enlisted in the State Register of enterprises with foreign investments. The enlisting is done by the Russian Agency for International Cooperation and Development.

The following legal bodies could be contacted to establish cooperation between foreign partners and enterprises in the Orenburg Region:

a). Orenburg Regional Administration
Department of International and Foreign Economic Relations
Mr. Vladimir I. Mirkitanov, Chief of Department
Tel. (35 32) 47 38 78
Fax. (35 32) 47 40 90

b). Orenburg Regional Administration
Department of International and Foreign Economic Relations
Mr. V. Lagunovsky, Chief of Division
Tel. (35 32) 47 38 00
Fax. (35 32) 47 40 90

c). Orenburg Foundation of Reconstruction and Development

Mr. Valeri N. Vehov, General Manager

Tel (35 32) 72 89 04

Fax. (35 32) 41 70 78

d). The UNIDO Moscow Centre

Mr. Alexander N. Lapounov, National Expert

Tel. (095) 198 98 09

Fax. (095) 943 00 18

al Procedure Report, 1995.

References

1. The Orenburg Region, Foreign Investment Opportunities, 1994.
2. The Orenburg Region, Exploring Business Opportunities, 1994.
3. The Orenburg Oblast, Moscow 1993.
4. The Orenburg, 1993.
5. The Orenburg Region's Foreign Investment Collateral Procedure, Report, 1995.
6. Report of Orenburg Department of MVES R.F., 1994.



INVESTMENT PROMOTION FORUM

EAST-WEST: INVESTMENT, CONVERSION & RUSSIAN HI-TECH

Project Summary List

St. Petersburg / Novgorod / Moscow

26-29 September 1994

List of Projects: ST. PETERSBURG, R.F.

08/31/94-14:52:56

Prj No.	ISIC Code	Description of national Investor/Enterprise	Description of project	Investment Mio US \$	Foreign % Share	Description of Foreign Contribution
110	3529	State owned company with 1,000 employees, established in 1931 and annual turnover of US\$1.5m	Start production of new polymer materials based on elastomers, which protect against acids and radiation.	0.19	neg.	equity, other
111	3529	Private company with 30 employees established in 1989 and annual turnover of US\$80,000	Large-scale production of "petrosorb"; super water absorbant.	?	neg.	other
112	3691	State company with 20 employees and expertise in waste conversion for construction materials.	Start production of construction materials from thermal power station wastes.	1.06	49	equity, other
113	3710	Company with annual turnover of US\$300,000 and 3 400 employees. Experience in machine-tool production since 1868.	Modernization of steel casting manufacture for supply of ingots to Europe.	0.85	88	equity, subcontract, technology, management, other
114	381301	Joint stock company with annual turnover of US\$3m, establ. in 1991, experienced in production of systems for program management for steels.	Organization of serial production of building and decoration materials for inner & outward metal clothing for rooms & buildings.	2.00	neg.	loans, equity, equipment, other
115	381902	Joint stock company established originally in 1857; 2,000 employees and annual turnover of US\$55m.	Expand production of copper water pipes for the construction sector.	39.50	neg.	equipment, other
116	381904	Under privatization, firm with annual turnover of US\$3m, established in 1946; 540 employees and experience in boiler systems.	Start serial production of small automated high pressure steam boiler systems.	1.65	47	equity, other
117	3824	Established in 1991 with 18 employees and annual turnover of US\$45,000. Joint stock company.	Disassembly of very large metal structures and buildings explosive technology from "Conversion" programme.	0.75	50	equity, subcontract, other
118	382406	Mainly private joint stock company with 600 employees, annual turnover of US\$2.5m and experience in producing mining machinery.	Build two KID-2200 crusher for selective destruction of ores in wet media.	2.20	neg.	equity, management, other

Prj No.	ISIC Code	Description of national Investor/Enterprise	Description of project	Investment Mio US \$	Foreign % Share	Description of Foreign Contribution
128	3832	State enterprise with annual turnover of US\$1m, created in 1991, with 450 employees; long experience previously in data network operations.	Expand production & serial manufacturing of the unified system of data communication & delivery technical facilities.	11.00	50	equity, management, other
129	3832	State enterprise with annual turnover of US\$0.58m, established in 1956; 1,300 employees. Experience in producing electronic goods.	Start production of photo-receiving system based on slender-film matrix IR-photo-receivers with spectral range of 3-5 mkm.	1.20	50	equity, management, other
130	3832	State enterprise established in 1963 with 1,300 employees and annual turnover of US\$0.5m. Production of electronic goods.	Start production of thermovision system based on uncooled image sensor for nondestructive remote control of ind. technologies, power system	1.50	neg.	other
131	393202	Joint stock company with annual turnover of US\$4.5 m, established in 1993.	Organization of serial production of compact-disks and distribution.	4.12	neg.	loans, countertrade, other
132	393207	Mixed company established in 1992.	Management of serial production of broadstripe clistrons for satellite communication equipment.	0.48	neg.	countertrade, other
133	383209	State owned company established in 1987 with 10 employees.	Start production of equipment for non-invasive treatment of oncological, cardiological, urological & other human diseases.	0.27	neg.	management, other
134	383210	Joint stock company established in 1944. 3200 employees and annual turnover of US\$12m.	Production of airborne weather-radars for small airplanes and helicopters on existing facilities of a defence industry enterprise.	?	neg.	other
135	393902	JSC with annual turnover of US\$6.5m, reorganized in 1993, but founded in 1911; 1,230 employees experienced in transmitters, etc.	Start production of power radio-frequency cables, flexible waveguides, thin-wall tubes with diameter up to 350 mm.	16.92	30	equity, equipment

List of Projects: ST. PETERSBURG, R.F.

09/31/94-14:53:21

Prj No.	ISIC Code	Description of national Investor/Enterprise	Description of project	Investment Mio US \$	Foreign % Share	Description of Foreign Contribution
145	385104	Mixed ownership, reorganized in 1992 with 30 employees and annual turnover of US\$30,000, 25 years experience in electrocardiogram production	Expand production of cardiometer units for automated integral estimation of functional condition of cardio-vascular system in Russia.	0.55	50	equity, equipment, other
146	385104	Privatised company since 1991 with 1,420 employees and annual turnover of US\$0.6m. Producer of metal-cutting tools since 1922.	Start mass production of dental instruments for the CIS market.	5.00	80	equity, technology, management, other
147	382404	Joint stock company established in 1959 with annual turnover of US\$7 m	Production of equipment for medical industry	?	neg.	other
148	3853	Established in 1954 JSC since 1992 with 5,400 employees and annual turnover of US\$0.5m. Experience in watch & clock production.	Start serial watch production with auto-winding and double calendar.	3.00	neg.	other
149	4200	Private company with annual turnover of US\$200,000, established in 1991.	Organization of mass-production of water-purification systems and of systems for waste-water treatment.	1.50	neg.	other
150	5000	Joint stock company established in 1992 with 130 employees and annual turnover of US\$2m	Construction of a ware-house (under customs' control).	?	neg.	other
151	5000	Private ltd company established in 1992 with 23 employees, including experienced management.	Start production of electro-welded street tubes and other products for the construction industry.	10.00	82	equipment, other
152	7200	Established in 1989 with 60 employees and annual turnover of US\$390,000	Setting up a tele-port in Slovak Republic for organization of satellite-communication line between the CIS and Western & Central Europe.	?	neg.	other
153	8323	State enterprise with annual turnover of US\$1m, created in 1991, with 450 employees; long experience previously in data network operations.	Modernize family of program products (net & internet protocols), for sales in the CIS and abroad.	0.50	50	equity, other

List of Projects: MOSCOW REGION, R.F.

09/31/94-14:52:01

Prj No.	ISIC Code	Description of national Investor/Enterprise	Description of project	Investment Mio US \$	Foreign % Share	Description of Foreign Contribution
201	3513	State scientific centre established in 1918, with 950 employees.	Start manufacture of biodegradable polymer and articles on their basis.	0.33	35	countertrade, other
202	3513	Joint stock company with annual turnover of US\$30m.	Manufacturing Fluoride glasses and fibres instruments and devices operating in 0,8-8 mkm range.	18.10	neg.	other
203	3522	State scientific centre established in 1918, with 950 employees.	Start production of synthetic biodegradable materials for burns and wounds (artificial skin), for monofilament sutures & for packaging.	5.90	40	equity, subcontract, other
204	3522	Limited stock company with annual turnover of US\$830,000, established in 1992.	Production of new type of medication (project AMIXIN).	0.07	neg.	other
205	3529	State company with annual turnover of US\$5.6m, established in 1946.	Radiopharmaceutical isotopes production.	30.00	neg.	other
205	3560	Private joint stock company with annual turnover US\$1m, established in 1992; 40 employees with experience in plastics.	Expanding the production and distribution of masterbatches (plastic dyeing concentrates) and moulded plastics e.g. road signs.	2.82	40	equity, other
207	3620	State enterprise established in 1969	Organization of production of tone glass units and mirror surfaces.	?	neg.	other
208	3919	State research institute with 3,000 employees and US\$6.5m income in 1993, established in 1945.	Starte the manufacture of fast quenched magnetic powders for high power permanent magnets, and of bonded magnets.	3.67	35	equity, countertrade, other
209	382304	State company with annual turnover of US\$40m, established in 1918.	Advanced forming technology for development and production of forming machines and structural components and parts.	17.05	neg.	other
210	3824	State enterprise with annual turnover of US\$125m, established in 1947, and 9,400 employees. Extensive work on space programmes.	Start production of small units that create ecologically harmless cleaning and disinfecting liquids for schools, food industry, etc.	4.00	25	equity, countertrade, other

List of Projects: MOSCOW REGION, R.F.

03/31/94-14:52:15

Prj No.	ISIC Code	Description of national Investor/Enterprise	Description of project	Investment Mio US \$	Foreign % Share	Description of Foreign Contribution
220	385105	Joint stock company with annual turnover of US\$0.8m, established in 1901. Experience in electronics production.	Start production of non-intrusive monitoring instrument for three components (water, oil, gas) in a pipe line.	3.40	30	equity, countertrade, other
221	385105	State company with annual turnover of US\$40m, established in 1918.	Analysing and measurement devices based on tunnelling photoeffect.	3.50	neg.	other
222	385105	Limited company with annual turnover of US\$37,500 established in 1992.	Full-scale production flowmeters and heatcounters TARAN-T - type.	0.87	neg.	other

List of Projects: NOVGOROD, R.F.

08/31/94-14:52:47

Prj No.	ISIC Code	Description of national Investor/Enterprise	Description of project	Investment Mio US \$	Foreign % Share	Description of Foreign Contribution
310	3839	Joint stock company, subsidiary plant of big holding company; established on base of former State plant.	Purchase of new know-how to modernize and expand transistor production and introduce new types of transistors.	0.95	42	equity, management, other
311	383905	Joint stock company, subsidiary plant of a big holding company.	Expansion of mass-production of light-emitting diodes, IR-diodes & photo-diodes.	1.20	45	equity, other

ANNEX VII-2

INVESTMENT FORUM FOR THE SAKHA (YAKUTIA) REPUBLIC, KRASNOYARSKY KRAI AND ORENBURG REGION (RUSSIAN FEDERATION)

3-5 JULY 1995, VIENNA, AUSTRIA

Each project listed below has been discussed with the local promoter and a detailed 12 page profile
for all will be available to the participants

List of Projects: KRASNOYARSKY KRAI, RF						
Project No.	ISIC Code	Description of local enterprise Proposing Investment Projects	Proposed Investment	Total Inv. Mio US \$	Foreign Component mil US\$	Description of Inputs Sought from Foreign Partners
001	2100 3540	Established in 1962 JSC with annual turnover of US\$ 93.4m and 7 900 employees - coal mining and processing	New production of smokeless coal briquets (5 tons/hour)	24.93	12	JV, equipment
002	2300 3720	Private company est. in 1991 with annual turnover of US\$ 5m and 260 employees, experienced in research, production & commerce	Gold dragging, extraction and processing of pure gold 200 kg p.a.	6.10	1.5	JV, countertrade
003	3112	JSC established in 1961 with annual turnover of US\$ 0.17m and 30 employees - milk products	Modernisation of packaging facilities at milk factory	1.08	0.15	JV
004	3121	JSC established in 1984 with annual turnover of US\$ 0.3m and 20 employees Trading house, investment projects & marketing activities	Production facility for packaging foodstuffs (tea)	0.32	0.15	JV
005	3310	State enterprise established in 1930 with annual turnover of US\$ 10m - Asbestos and cement production	Charcoal production (300 tons/year)	0.06	0.05	JV, technology
006	3310	State enterprise established in 1930 with annual turnover of US\$ 10m - Asbestos and cement production	Activated carbon production (200 tons/year)	0.12	0.1	JV
007	3311	Russian/Belgian Joint Venture established in 1991 with annual turnover of US\$ 45.3m and 690 employees. Saw mill and wood-working	Expansion of saw mill and wood-working complex (plant for drying saw timber & manufacturing glued timber screens)	36.20	15	JV, equipment, countertrade
008	3311	JSC established in 1991 with annual turnover of US\$ 1.25m and 190 employees - coniferous timber, saw timber, furniture parts	Expansion of production of wooden items, mainly for the consumer sector (0.3-1.0 million cubic metres/year)	10.60	5.3	JV, countertrade
009	3311	JSC established in 1978 with annual turnover of US\$ 8.4m and 820 employees - production of wood building materials	Expansion of production of wood building materials, low-toxic wood panels	15.52	15	JV, equipment, countertrade
010	3320	JSC established in 1954 with annual turnover of US\$ 0.21m and 102 employees - timber processing and cutting	Creation of new wooden furniture production facilities	1.11	0.89	JV
011	3411	JSC established in 1960 with annual turnover of US\$ 20.8m and 3 984 employees - production of cellulose, paper, wood-chemical products	New production of pulp	80.00	40	JV
012	3522	Established in 1959 JSC with annual turnover of US\$ 20.8m and 3 984 employees - production of medical products/antibiotics	Extension of production of medicines (tablets, capsules, ampoules)	12.50	8.7	JV, countertrade
013	3551	Established in 1959 JSC with annual turnover of US\$ 30.5m and 3 680 employees - tyre production (2m tons/year)	Modernization of radial and diagonal design tyre production	35.00	22	JV, countertrade
014	3559	Established in 1967 JSC with annual turnover of US\$ 33.24m and 2 252 employees - production of rubber products for industry	Modernization of rubber foam articles, production for the furniture industry	14.09	10	JV, equipment
015	3620	Established in 1995 JSC with annual turnover of US\$ 0.6m and 43 employees - production insulating glass	New production of insulating glass foam	0.68	0.3	JV, equipment
016	3691	Private company established in 1991 with annual turnover of US\$ 0.2m and 16 employees	New production of building and other materials with high insulating properties	13.90	7.4	JV, equipment
017	3692	Established in 1944 JSC with annual turnover of US\$ 21.5m and 1 150 employees - cement production	Expansion and modernisation of a cement plant	7.00	5	JV
018	3720	Established in 1952 JSC with annual turnover of US\$ 7m and 2,000 employees - metallurgical plant production high quality steel & alloys	New production of tungsten rods and wire	27.70	13	JV, countertrade
019	381905	Established in 1964 JSC with annual turnover of US\$ 1,200m and 12 420 employees - production of aluminum	New production of aluminum building materials (tiles and related roofing materials)	39.07	14	JV, countertrade
020	382406	Established in 1990 Private engineering company with annual turnover of US\$ 0.8m and 45 employees - ore processing	Development and new production of equipment for ore separation	10.00	8.5	JV, countertrade
021	382905	Established in 1932, state owned under conversion - from space equipment/refinery to medical instruments	Production of cooling and refrigerating equipment for trailers	32.00	20	JV, equipment, countertrade
022	382905	Established in 1932, state owned under conversion - from space equipment/refinery to medical instruments	New production of thermocooling elements for refrigerators and air conditioners for cars	1.30	1	JV
023	382903	Established in 1973 JSC with annual turnover of US\$ 3m and 2 300 employees - production of wide range of electrical devices	New production of modern electric kitchen ovens	26.90	26	JV, technology, equipment
024	383101	Established in 1941 JSC with annual turnover of US\$ 15.3m and 6 700 employees - heavy engineering production	Expand and modernize the production of welding electrodes	7.58	6	JV, technology, equipment
025	383903	Established in 1973 JSC with annual turnover of US\$ 3m and 3 000 employees - production of electrical devices	Expansion of production of electric switchboards	2.70	2.2	JV, equipment
026	385903	Established in 1990 JSC with annual turnover of US\$ 0.2m and 50 employees - production of lithium batteries	Expansion of production of lithium batteries for watches, toys, etc.	0.20	0.1	JV
027	384303	Established in 1972 JSC with annual turnover of US\$ 4.9m and 4 800 employees - production of semi trailers & trailer refrigerators	New production of town buses	14.30	4.3	JV
028	384304	Established in 1972 JSC with annual turnover of US\$ 4.9m and 4 800 employees - production of semi trailers & trailer refrigerators	Modernisation of trailer refrigerators production	8.50	5.1	JV, technology
029	384305	Established in 1972 JSC with annual turnover of US\$ 4.9m and 4 800 employees - production of semi trailers & trailer refrigerators	Modernisation of production of pneumatic suspensions for trailers	20.20	15	JV, technology, countertrade
030	385104	Established in 1991 Private enterprise with annual turnover of US\$ 0.19m and 25 employees - producing medical equipment	Expansion of production of diagnostic kits for analysis of laboratory haemostatic/immunologic/immunologic functions, protein	0.18	0.0	JV
031	5000	Established in 1983 limited partnership with annual turnover of US\$ 1.5m and 800 employees - building construction	Expansion and modernisation of building of non-standard living and industrial objects	1.00	1.0	JV, countertrade

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