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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

**UNIDO CENTRE FOR INTERNATIONAL INDUSTRIAL
CO-OPERATION IN MOSCOW**

ANNUAL ACTIVITY REPORT¹

1 January to 31 December 1996

^{1/} This document has not been edited

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I. INSTITUTIONAL FRAMEWORK

The UNIDO Centre for International Industrial Co-operation in Moscow was established in 1989 within a framework of the Agreement between UNIDO and the Government of the USSR. The Agreement was renewed in 1992 with the Government of the Russian Federation. The Agreement stipulates general legal aspects of the Centre activity, *inter alia*, status, objectives, priority tasks and functions. All financial matters, including project budget, are set forth in the respective Trust Fund Agreement between the parties. The Centre's project was extended by exchange of letters for another one year from the October 1, 1996. Several UNIDO International Experts (one in 1996) work at the Centre. Their activities are financed through additional Trust Fund Agreements between UNIDO and respective donors.

The primary goal of the Centre is to promote international co-operation in the economic, technological, industrial and scientific spheres, between Russian and foreign state institutions, private enterprises, organisations, associations, etc. According to the existing Agreement the Centre has to assist in the implementation of the following priority tasks:

- a. Development and transfer of technologies of mutual interest to the Russian Federation and other States Members of UNIDO;
- b. Promotion of investment co-operation, and, in particular, attraction of foreign investment to the Russian Federation;
- c. Development of integrated regional technological projects and programmes with the participation of foreign partners;
- d. Support to the implementation of technical and financial assistance programmes;
- e. Promotion of Russian programmes aimed at conversion, privatisation, development of small business, etc.

The Centre is supervised and backstopped by Investment and Technology Promotion Division from the beginning of 1994. As a result the Centre's activity is becoming more and more oriented to the investment promotion. Nevertheless the Centre is considered by the host country Government as a window to any kind of international industrial business opportunities between Russian and foreign companies.

The present report covers the period from January 1 till December 31, 1996, and represents main achievements of the Centre as well as evaluation of the present situation in Russia related to foreign investment.

II. OPERATIONAL CONSIDERATIONS

2.1 Foreign Investments into Russian Economy.

Forms and volumes of foreign investments.

According to the estimations made by the Russian economic institutions, independent experts and basing on the official statistic data the current position of Russian economy (during the period of 1994-1996) could be characterized as a period of transition from a crisis in industrial area to its stagnation. The volume of local investments into Russian economy was going down during 1995, and according to the GOSKOMSTAT RF statistic data, it decreased by 18% comparing 1994. A tendency to decreasing of local investments was being observed up to the end of 1995. At the same time, a volume of foreign investments in Russia continued to grow. About 3 billion USD was attracted before 1994, 1 billion USD - in 1994, more than 2 billion USD - in 1995.

The total volume of foreign investments accumulated into Russian economy by the end of 1995 was 2.8 billion USD and 850.2 billion Rb, thus it increased 2.7 times comparing 1994.

The estimation of the FDI volume made by the Ministry of Economy of the Russian Federation at the end of first quarter of 1996 shown, that more than 50% of the FDI were invested mainly into 3 sectors (namely, trade, catering and food production, finances) during 1995. Main flows of FDI came from USA. As to Russian regions, Moscow remained as a main recipient of FDI, having received 187.9 million USD in 1995.

Foreign capital went preferably into the sectors of Russian economy which could provide more profitability as well as fast pay back. In 1994 more than half of the total volume of foreign investments was attracted into fuel industry, while in 1995 it attracted only 10%. Trade and catering were most attractive sectors for foreign investors in 1995.

Total volume of foreign investments accumulated into Russian economy by the end of September 1996 amounted to 5.87 billion USD and 1,084.41 billion Rb.

Total volume of FDI attracted by Russian commercial organizations during 9 months of 1996 was 1,194.50 billion USD and 1,499.12 billion Rb.

A rise of total volume of investments reported by official statistics had taken place mainly because of an increasing of so-called "other" investments (including, in particular, different kinds of foreign credits). So, taking into account that a share of the "other" investments in 1995 was no more than 30%, it's worth to note that it

came to 50% by the end of the first quarter of 1996, and more than 70% - by the end of September 1996 (Table 1).

Table 1

<i>Investments</i>	<i>Volume, billion USD</i>	<i>Volume, billion Rb</i>
Direct	1.19	1,084.41
Portfolio	0.03	287.83
Others	3.28	126.87

Countries-investors.

Countries were being the most active investment partners of Russia mainly kept their positions among the ten "leaders" (Table 2). It is remarkable, that Austria (328,8 million USD) has replaced France in a group of the "leaders".

Table 2

<i>No.</i>	<i>Countries</i>	<i>Volume of accumulated foreign investments, million USD</i>	<i>% of total volume of accumulated foreign investments</i>
1.	USA	3,044.69	26.42
2.	Switzerland	1,351.46	11.37
3.	Netherlands	1,164.39	10.10
4.	England	992.81	8.61
5.	Germany	797.60	6.92
6.	Cyprus	606.95	5.27
7.	Italy	517.32	4.49
8.	Austria	328.76	2.85
9.	Liechtenstein	311.92	2.71
10.	Sweden	305.74	2.65

Besides, it is necessary to point out that shares of Switzerland and Netherlands had increased from 6-7% to 10-12% correspondingly, while the USA share has decreased from 30% to 26%. This tendency remained during the late two quarters of 1996. In addition, volumes of the investments from Switzerland and Netherlands were correspondingly 968,08 million USD and 954,08 million USD during 9 months of 1996 (Table 3), and they exceeded the investments from USA (882,09 million USD).

Table 3

<i>No.</i>	<i>Countries</i>	<i>Volume of foreign investments, million USD</i>	<i>% of total volume of foreign investments</i>
1.	Switzerland	968.08	21.53

2.	Netherlands	954.08	21.22
3.	USA	882.09	19.62
4.	Cyprus	434.04	9.65
5.	England	372.39	8.28
6.	Germany	194.39	4.32
7.	Sweden	115.36	2.57
8.	Austria	103.32	2.30
9.	Liechtenstein	74.53	1.66
10.	Belgium	47.27	1.05

The pointed growth of investments depended greatly on large "others" credits given by the foreign financial and commercial companies, such as: "Credit Suisse" (619.6 M USD), "First Boston" (650.4 M USD), "East Investment Company" (219.7 M USD).

Regions.

The regions - "leaders" on attraction of foreign investments also mainly have kept their positions (Table 4).

Table 4

<i>No.</i>	<i>Regions</i>	<i>Volume of accumulated foreign investments, million USD</i>	<i>% of total volume of accumulated foreign investments</i>
1.	Moscow	5,315.06	46.12
2.	Tumen reg.	751.74	6.52
3.	St.-Petersburg	741.77	6.44
4.	Moscow reg.	541.56	4.70
5.	Arkhangelsk reg.	459.87	3.99
6.	Rep.Tatarstan	333.11	2.89
7.	Rep.Komi	301.60	2.62
8.	Primorsky Krai	220.37	2.44
9.	Rep.Mariy Al	212.23	1.84
10.	Samara reg.	192.48	1.67

The Central regions of Russia ("headed" by Moscow), as well as the on-border and "raw materials" regions hold leading positions on volume of accumulated foreign investments. In addition, a share of Moscow in total volume of foreign investments has risen greatly (up to 46.1%). At present, shares of the other 9 regions (among the ten leaders) don't exceed 6.5%.

This tendency has a stable enough as well as impressive character. So, during the 9 months of 1996 a share of foreign investments attracted by Moscow was more than

70%, while a share of investments drawn into each region-leader didn't exceed 3.5% (Table 5).

Table 5

<i>No.</i>	<i>Regions and oblasts</i>	<i>Volume of foreign investments, million USD</i>	<i>% of total volume of attracted foreign investments</i>
1.	Moscow	3,177.95	70.67
2.	Tumen reg.	149.89	3.33
3.	Magadan reg.	112.06	2.49
4.	Leningrad reg.	111.50	2.48
5.	Samara reg.	109.00	2.42
6.	St.-Petersburg	99.14	2.20
7.	Khabarovsk reg.	70.10	1.56
8.	Novosibirsk reg.	68.89	1.53
9.	Rep. Tatarstan	68.38	1.52
10.	Moscow reg.	62.90	1.40

A level of foreign investments stayed traditionally low for the following regions: Ulyanovsk, Kourgan, Tambov, Kursk and Voronezh.

Sectors structure of investments.

In a whole, a tendency of orientation of foreign investors to the Russian industrial areas provided during 1995 with a high domestic effective consumer demand, has been also kept. However, it is necessary to point out that a share of foreign investments concerned with financial-commercial activity has increased significantly (in 4-6%) on one hand, on other hand - a share of the investments attracted by the food as well as fuel industries has decreased (in 2-2.5%) correspondingly (Table 6).

Table 6

<i>No.</i>	<i>Branches</i>	<i>Volume of accumulated foreign investments, million USD</i>	<i>% of total volume of accumulated foreign investments</i>
1.	Finances, credit, insurance, provision of pensions	1,961.59	17.02
2.	Fuel industry	1,661.09	14.41
3.	Commercial activity on market support	1,610.50	13.97
4.	Food production	1,246.86	10.82
5.	Trade and catering	834.35	7.24

6.	Mechanical engineering and metal-working	783.14	6.80
7.	Timber industry	610.49	5.30
8.	Chemical and petro-chemical industry	499.63	4.34
9.	Transport	307.21	2.67
10	Communication	258.53	2.24

Besides, during 9 months of 1996 a share of investments into commercial activity on the market support rose more than in 10%, that is explained by attraction of large "other" credits into this field of activity (Table 7).

Table 7

<i>No.</i>	<i>Branches</i>	<i>Volume of foreign investments, million USD</i>	<i>% of total volume of attracted foreign investments</i>
1.	Commercial activity on market support	1,301.25	28.94
2.	Finances and credit	1,291.05	28.71
3.	Trade and catering	340.94	7.58
4.	Fuel industry	302.96	6.74
5.	Food production	270.95	6.03
6.	Timber industry	180.01	4.02
7.	Mechanical engineering and metal-working	128.46	2.86
8.	Non-ferrous metallurgy	126.00	2.80
9.	Communication	80.82	1.80
10.	Information and computing service	78.45	1.74

As before, an attractiveness for foreign investors of the such Russian industries, as mechanical engineering, wood processing, chemical and petrochemical industry, transport and communication was a stable tendency being observed during several quarters. Shares of investments attracted into these branches changed insignificantly during the period of June-August 1996.

Main results of activity of JVs and foreign enterprises in Russia.

On the statistic data received by the 1st of October 1996, more than 14,800 JVs and foreign enterprises work at the Russian Federation territory. Number of workers came to 453,000 (comparing 398,000 - on the 1st of October 1995 situation).

Total volume of products manufactured by these enterprises was estimated as 47.5 billion Rb, or 5.13% of total volume of industrial products manufactured all over Russia (926 trillion Rb).

Total volume of products and services exported by the enterprises came to 4,0 billion USD, that was 7% of total export volume on Russia (56.6 billion USD).

Average monthly salary for one worker of the enterprises was 1.1 billion Rb, that exceeded the same index over the country (773,000 Rb) in a whole by 1.4 times.

2.2 Tendencies in Formation of the Investment Climate

The investment climate is determined by a range of important factors such as political and commercial risks, economic and financial situation, level of local legislation, trends of its development and stability, transparency of administrative procedures, level of development of market economy infrastructure. From a general point of view within these parameters there has been no substantive changes although some positive elements have been introduced. Main factors which negatively influence the investment climate comes from undetermined programme of a transition from the centralised economy to the market one.

The numbers given above indicate some improvement of situation in the investment sphere. But they don't meet a capacity of the Russian market, volume of natural resources, industrial potential created as well as the labor forces skill.

Nevertheless, a work on further improvement of the investment climate as well as creation of attractive conditions for foreign investors is being carried out. The activity of foreign investors is regulated mainly by Presidential and Governmental decrees.

By the Presidential decree of 8 May 1996 No.685 "About main directions of the tax reform in Russian Federation and measures on strengthening of the taxation and payment discipline" the main directions of the state policy in a field of the tax reforming were determined.

During the last time a number of measures was put into practice to relieve the tax burden as well as to facilitate the customs and currency regulation. So, proceeds of credit (including inter-firm credits), goods and products imported as a contribution to the authorized fund of enterprises with foreign investments, technological equipment and its completing and spare parts have been exempted from the value-added tax.

Goods are relevant to production capital funds and imported at the Russian Federation territory as a contribution to the authorized fund of enterprises with foreign investments as well as foreign enterprises have been exempted from the customs duties.

Besides, the tax on ~~extra~~ normative excess of labor cost as well as the special tax for support of most important branches of the national economy has been canceled.

It is stipulated by a draft of the Presidential decree a reduction by 2 times (comparatively basic rates) for the period no more than 5 years in rates of customs duties for those foreign goods which are imported at the Russian territory by foreign investors being participants of investment agreements, provided that total volume of FDI is no less 100 million USD, minimum contribution of the foreign investor to the authorized fund of the enterprise is no less 10 million USD, a total volume of privileges received by the foreign investor in accordance with customs regulations doesn't exceed the volume of actually realized investments.

In nearest time the State Duma (Russian parliament) will consider in first edition the following draft federal laws: "About insert of changes and supplements to the law of RSFSR "About foreign investments in RSFSR" and "About the list of branches, industries, kinds of activity and territories, where an activity of foreign investors is ban or limited".

The draft federal law "About free economic zones" has been prepared in second edition for consideration in the State Duma. Many Russian regions are looking forward eagerly to the law. The regional administrations have already prepared proposals on setting up the local free economic zones at their territories.

The State Duma is now working out a second edition of the draft law "About concession agreements".

Russian Government jointly with the State Duma has worked out a draft law concerning corrections in Russian legislation in connection with an adoption of the federal law "Production shearing agreements".

In December of 1996 Russian Government submitted to the State Duma for consideration the completed draft federal law "About the list of areas of bowels of the earth, which could be mined in accordance with the production shearing terms". The draft law covers 49 deposits of mineral resources could be worked starting from 1997, and additionally - other 127 deposits in perspective up to 2001. An adopt of the mentioned bills is planned during the 1st quarter of 1997.

In connection with an adopt of the federal law "Production sh~~a~~ring agreements" an implementation of a number of big investment projects has already been started. So, in 1996 the investments of total volume of 250 million USD were attracted on the projects "Sakhalin-1" and "Sakhalin-2". Other large-scale projects on elaboration of the Russian hydrocarbon deposits with participation of biggest foreign petroleum companies are now under preparation. It is expected that total volume of investments into these projects will exceed 70 million USD.

Being created in June of 1995 under the Government of Russian Federation the Consulting Council on foreign investments (headed by Premier-Minister of RF) facilitates development of co-operation with foreign investors on governmental level as well as solution of urgent problems of the Russian economy reforming

In a course of the Muenster process the negotiation on attraction of foreign investments of total volume 200 billion USD into economy of CEEC as well as Russia up to 2000 is being conducted. Interdepartmental committee (headed by Minister of economy of RF) co-ordinates an activity of the federal bodies of executive power in a framework of the process.

Besides, a work on preparation and signing of intergovernmental treaties concerning stimulation and mutual protection of investments is also aimed on a formation of the favorable investment climate. By the beginning of 1997 Russian part has concluded 37 treaties, 14 of them have been ratified. During 1996 there were concluded 6 treaties with the following countries: Bulgaria, Italy, DPRK, Lao People's Democratic Republic, Croat, Ecuador .

The investment climate in Russia also depends on steps which are undertaken on-sites by the federal bodies and local administrations, such as: activation of the process of attraction of foreign investments on regional level, establishment of international regional contacts, creation of regional infrastructures on attraction of investments, stimulation of activity of foreign investors by provision of the tax and other privileges on regional level.

Besides, in an addition to the Integrated Programme of Encouragement of National and Foreign Investors the Government has worked out a complex of measures on further improvement of the investment climate as well as creation of favorable conditions for foreign investors promoting an increase of foreign investments into the Russian economy. The measures are determined by the middle-term programme for 1997-2000 "Structural reforming and economic growth".

2.3 Key Features of the UNIDO Moscow Centre Activities

In 1996 the activities of the Centre were carried out in accordance with the Annual Work Programme. In order to achieve the planned objectives in a rapidly changing local conditions, the Centre has monitored different factors, which influenced the overall situation such as: evaluation of the current political and economic situation inside Russia, perception of roles of main actors of the local investment sector, determination of the current demand for services and real possibilities of local enterprises, etc. As a result the Centre concentrates the activity in the following directions:

1. Expansion of the direct contacts and activity with the regions of Russia, where most industrial potential is concentrated. The objective is to involve local

authorities and enterprises into investment co-operation on the base of internationally acceptable standards and methodology. The UNIDO Investment Forums are one of a very effective part of this activity.

2. Creation of the network of field national experts of the Centre in regions for permanent assistance to the regions in identification of investment opportunity and formulation and promotion of projects according to UNIDO methodology.
3. Involvement of Russian financial and banking institutions in co-financing of investment projects. The Centre has concluded several agreements on co-operation with major banks and financial corporations.
4. Establishment of partnership relations with potential foreign companies interested in and started promotion of investment into Russia.
5. Elaboration and implementation of bilateral programmes with other IPS Offices.
6. Promotion of Russian technology transfer projects to developing countries.
7. Expansion of the scope of rendered services connected with the use of UNIDO software like DIPP, COMFAR, PROPSPIN.

One of the specific current features of the project promotion process in Russia consists of the necessity to resort to local State bodies support when promoting the projects prepared with the assistance of the Moscow Centre's experts. On the other hand, local State administrations face some difficulties in applying the criteria of foreign investor when assessing the financial viability of their projects meant to be promoted through UNIDO Moscow Centre. With this in view the Centre staff continue practice of visiting different industrial and agricultural regions of Russia. The agreements of co-operation were signed with 15 regions.

A network of UNIDO field experts has been expanded during the year. These experts operated in close co-ordination with the Moscow Centre's staff alongside with their respective Administration in order to identify, formulate and promote the most viable projects. Besides, these experts would assist in wide spreading of the UNIDO international methodology of project preparation. During the year field experts for Perm Region, Volgograd, Rostov has started the activities. The procedures for introducing field expert posts are about to be finalised with Yaroslavl, Samara, and Krasnoyarsk Regions. The negotiations with the Fund of President Programs on the same matter resulted the recruitment of the expert. The Moscow Centre has also introduced the "club" of "registered partners", which include a set of Russian organisations, enterprises and banks, having the opportunity to regularly receive the Centre's and UNIDO' information materials and have an access to Centre's databases.

The investment decision taken by a foreign partner heavily depends on the availability and structure of funds that a Russian partner is able to put in the project. The

practice has shown that the availability of fixed assets (in terms of buildings, local machinery, equipment), as well as the technology provided by a Russian partner (which is the common case for most of the projects) is not enough for a foreign partner to take a positive decision. In that connection, the Centre has established cooperation with a number of Russian financial organisations and banks intending to back up viable projects.

One of the newest trends in the activities of the Centre consists of establishing cooperation and granting a status of associate partners to a number of foreign companies investing in projects initiated by the Centre. Companies from France, Austria and India are among the associated partners.

As one of the most promising ways of project promotion could be considered bilateral programs developed jointly by the Moscow Centre and IPSO's located in industrialised countries. The dynamic co-operation has been with IPS in Zurich, Milan and Vienna, as well as with UNIDO focal point in UK - NIMTECH. Within the bilateral cooperation with IPS Zurich a preparatory activity for the OSEC conference "Hi-Tech projects from Samara Region" to be held in 1997 has been carried out. More than 100 projects of the were presented for consideration to OSEC. The participation of Russian industrialists from 11 machine building enterprise at the Investment and technology exchange in Pordenone, Italy has been organized in cooperation with Milan IPS.

The Moscow UNIDO Centre's activity beyond assistance in attraction of foreign investment in Russian Federation includes realisation of potential of Russian enterprises in developing countries' market, the latter being rather attractive for setting up of JV's based on Russian technologies and equipment. These efforts resulted in identifying a group of several national producers able to meet the most acute demands of developing countries.

The success in investment promotion and technology transfer could hardly be achieved without using computer technique and information processing technologies. For the time being, the Centre has managed to form an effective data bank based on UNIDO software "DIPP", containing information on 1209 projects, 656 Russian enterprises willing to cooperate with foreign investors and 531 potential foreign partners. Besides, the Centre possesses a Russian database, containing information on 45 thousand enterprises and organisations in NIS. Currently, the process of project preparation mainly implies the preliminary financial analysis by means of computer model PROPSPIN, with subsequent applying of the more detailed UNIDO program COMFAR 2.1 and COMFAR III Expert.

III. INVESTMENT PROMOTION ACTIVITY

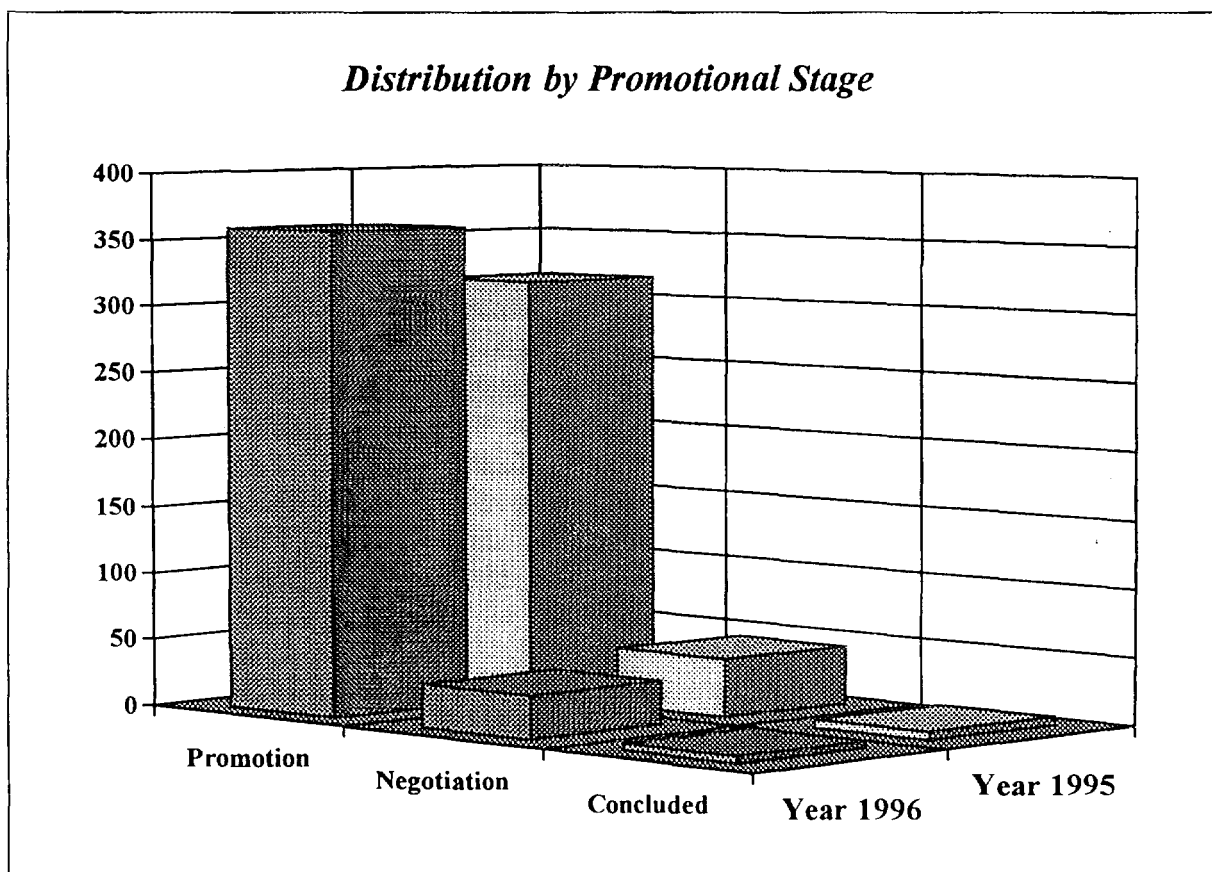
3.1. Summary of Results.

The summary results of the investment promotion activity during 1996, carried out by the staff of the Centre, both national and international, may be presented by following data.

During the twelve-month period the Centre has identified, formulated and promoted 359 investment projects. Among this figure 30 projects were distributed among Italian companies in co-operation with Milan IPS during preparatory activity to International Business and Technology Exchange (Pordenone). Within a framework of a bilateral co-operation between the Moscow Centre, Zurich IPS and OSEC more than 100 investment and technology transfer projects were presented to the attention of Swiss entrepreneurs.

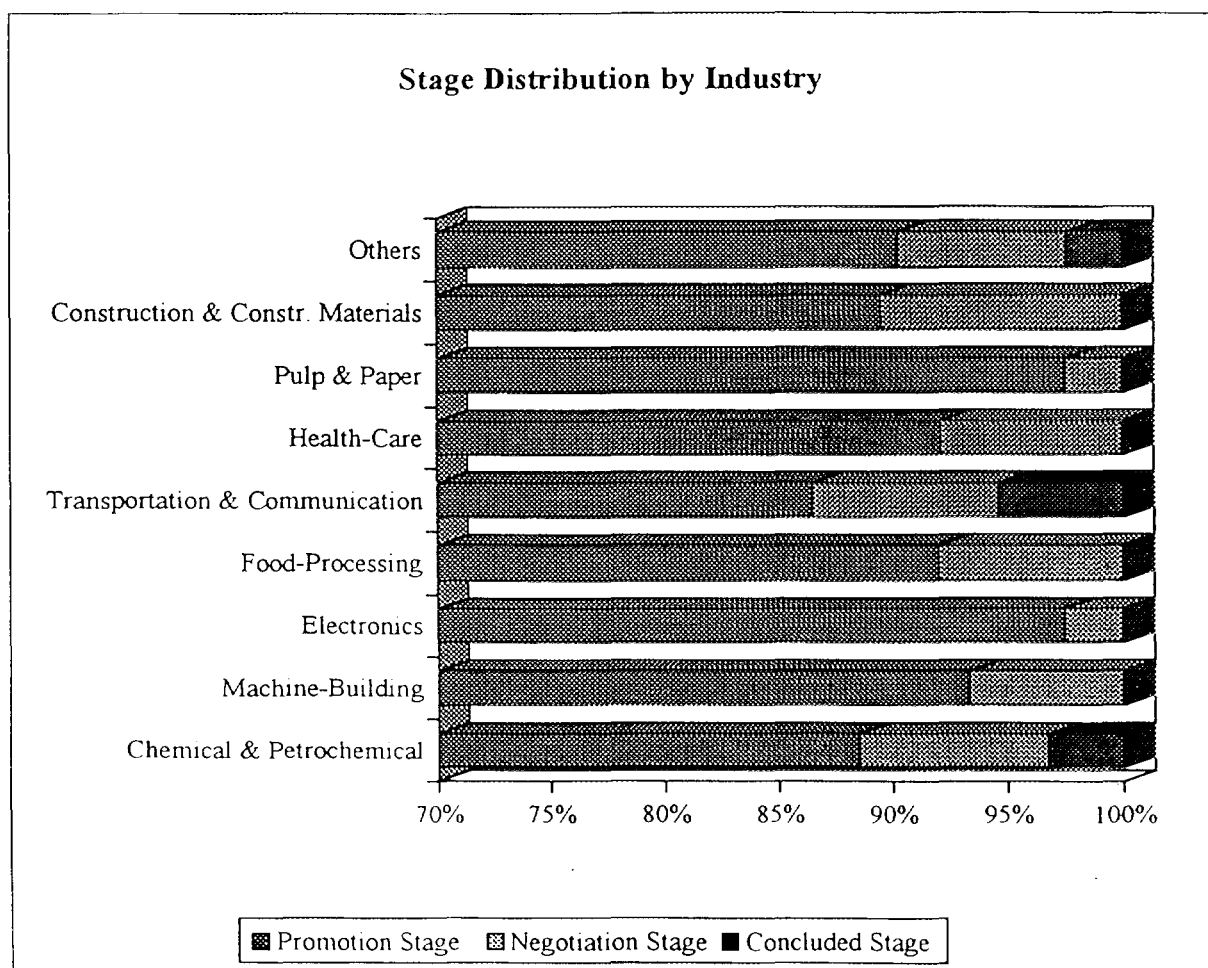
As a result of promotion a number of foreign investors showed interest and started negotiations with Russian sponsors of 32 projects, in some cases preliminary letters of intent or memorandums of understanding were signed.

Successful result of negotiations took place for 5 projects which are reported as concluded. The value of foreign investment under the projects amounts to US\$ 8.6 million.



The distribution of projects by promotional stage in 1996 in comparison with 1995 is set forth in the chart named *Distribution by Promotional Stage*. According to the diagram in 1996 the number of concluded projects has been reduced in spite of the increase of the number of promoted projects. The amount of negotiated projects has also reduced. It may be assumed that the interest of foreign companies in investment co-operation with Russia, at least, remains or slightly reduce. The companies continue to follow the “foot hold strategy”, i.e. investigate investment opportunities and existing conditions in the country. But the investment decision has been postponed till the existing investment climate become encouraging.

It may be useful to evaluate the preferable industrial sector for investment from the point of view of foreign companies and the areas suggested by local sponsors and entrepreneurs. The distribution of projects by industry sectors at different promotional stages may illustrate the matter. The summary distribution of projects by industrial sectors is illustrated by the bellow diagram named *Stage Distribution by Industry*.



Projects under promotion, mostly initiated by local sponsors, reflect the areas of co-operation in which the Russian partners seek the investment co-operation. The prevailing amount of projects covers such branches as pulp and paper industry, electronics, and machine-building.

The sphere of interest of foreign investors may be determined on the base of distribution of projects under negotiations. The most popular sectors are: construction and construction materials, food-processing, chemical and petrochemical.

The industrial sectors covered by concluded projects illustrate the areas in which the foreign investors have really found adequate conditions for co-operation. Among them are chemical and petrochemical, transport and communication.

3.2 Russian Trust Fund Agreement

During the period of 1996 the Moscow UNIDO Centre national staff continued its operational activities according to Trust Fund Agreement No.TC/GLO/89/001 on evaluation, identification and promotion of investment projects for further implementation as well as in the Russian Federation and other countries.

Project concluded:	5 with total investment of around 8.57 M US\$
Project under negotiation:	32 with total investment of around 79.87 M US\$
Total:	37 with total investment of around 88.44 M US\$.

3.2.1 Project Concluded

RUS/048/R/95 Development of modification methods of layered metal dichalcogenides for new lubricant, nanocrystal materials and coatings (LUBRIMAT).

Total budget: 0,29 M US \$.

This project has been concluded in 1996. It was signed by the partners from Russia and Belgium. The EUREKA project "LUBRIMAT" aimed to solve the problem of improving the tribotechnical characteristics of friction pair with the fulfillment of rigid requirements of its accuracy using new decomposition methods of transition metals dichalcogenides.

Moscow UNIDO Centre assisted to both partners in correspondence, in negotiations, preparation of draft contract, etc.

ZIM/026/R/95-09 Small Gold Mining.

Total Investment: 0,3 M US\$.

The project was initiated July 1995 by UNIDO Moscow and a Russian partner having experience in mining. The goal was to set up in Zimbabwe a fully owned Russian gold mining enterprise. The negotiations with local authorities started Harare, Zimbabwe, in September 1995 and eventually resulted in setting up a small gold mining having a license on prospecting and exploration for the area of 500 x 200 m. The amount of total investment was USD 300 000 and consisted mainly of the mobile equipment for extraction and processing. Production started in January 1996 with planned output of 2,4 kg/year. Number of jobs created was 40.

The UNIDO Moscow Centre involvement consisted of identification and formulation of project proposal in connection with Zimbabwe Investment and Mining Code, financial evaluation of the project.

RUS/075/R/96-10 Single-Stage Technology for Oil-Refining (1-st stage).
Total Investment: 50,000 US\$.

The project was identified by Moscow UNIDO Centre and, in its turn, it is aimed at completion of development of the Russian origin technology (1-Stage), and to design as well as a creation of a pilot unit (2-nd Stage). It is expected that application of the technology in industrial scale will allow to increase significantly a yield of light products in oil refining and will provide ecological safety of relevant production processes. Moscow UNIDO Centre has also identified two potential investors to finance 1-st Stage of the project as well as to design the pilot unit (both investors are Russian ones). Three-parties agreement between developers and the two investors is signed. Estimated investment value: 50.000 USD (1-st stage), 0.35 - 1.2 M USD (2-nd stage). Financial source: re-investment

RUS/001/N/96-08 Border Crossing Study between the EU/CEEC and NIS (1-st phase).
Total Investment: 7,0 M US\$.

The project concluded was that of European Commission within the framework of TACIS program. It was implemented alongside with French consulting and engineering company. Its first phase consisted in identification of the most important border crossing points on the border Russian Federation and EU which need to be modernized in order to meet the requirements of constantly increasing passenger and cargo traffic.

Total cost of the project was 7.0 M US\$ financed by EU. The UNIDO Moscow Centre experts visited several (namely 5) crossing points on Russian-Finland, Russian-Latvian and Russian-Estonian borders. The needs for modernization were identified, the priority scheme was developed and the evaluation report was completed.

GEO/001/R/96-08 Georgian roads rehabilitation projects.
Total Investment: 1,2 M US\$.

The project concluded was that of Georgian Government within the framework of National Road Rehabilitation Program. It was implemented alongside with two consulting and engineering firms BCEOM (France) and Scott Wilson Kirkpatrick (UK). The present project answers to the demand for technical assistance to the public and private sector within the scope of Transport Rehabilitation Project, sponsored by the World Bank through the International Development Association. Total cost of the project was 1.2 M US\$.

The UNIDO Moscow Centre involvement consisted of assistance in project formulation and negotiation with partners.

3.2.2 Projects Under Negotiation

Country	Project number	Title	Total investment (M US \$)
Russia	ORE/021/V/95-02	Mining of Aidyrlya marble deposit	1.5
Russia	RUS/004/V/95-03	Production facility for packaging foodstuff (tea)	0.32
Russia	KRA/013/V/95-03	Modernization of radial and diagonal design tire production	to be determined
Turkey	RUS/001/I/95-04	PVC door and window frames	2.0
Russia	RUS/051/R/96-01	Delegate programme on development of the spirit production technologies in Russia	0.01
Russia	RUS/037/R/95-07	Production and promotion of smart-cards in Russia	to be determined
Cyprus	RUS/052/R/96-02	Creation of sea recreation facilities	1.5
Russia	RUS/017/R/96-01	Setting up of production of household refrigerators	17.7
Russia	RUS/036/R/96-01	Setting up of production of homeopathic medicines EDAS	5.0
Russia	RUS/001/R/96-01	Reconstruction of metal production	8.0
China	RUS/041/R/96-03	Calcium carbonate production	to be determined
Russia	RUS/040/R/96-04	Bottled wine production	5.0
Turkey	RUS/001/R/96-04	Lather processing	2.34
Italy	RUS/044/R/96-04	Production of synthetic rubber sheets for shoe soles	to be determined
Russia	RUS/062/R/96-06	Production of heat-solated tubes	to be determined

Russia	RUS/063/R/96-06	Production of disposable plates and dishes for "AEROFLOT"	to be determined
Russia	RUS/064/R/96-06	Production of PVC profiles for window blocks	3.0
Russia	RUS/068/R/96-08	Development of St.-Petersburg sea-port	2.5
Turkey	RUS/056/T/96-05	Preparation of 2-nd International Conference "InterGas"	0.1
Russia	RUS/070/R/96-08	Reconstruction of Izhorsky Zavod	2.1
Russia	RUS/071/R/96-08	Common environment policies in the NIS	to be determined
Russia	RUS/072/R/96-08	Wood industry and forest management in Baikal and Karelia	5.0
Russia	RUS/062/R/96-06	Production of heat-solvated tubes	2.5
Russia	RUS/073/R/96-11	Production of dwelling units	3.1
Russia	RUS/059/R/96-07	Production of ceramic bricks	16.2
Russia	RUS/066/R/96-06	Setting up of system of rapid ecological reacting at regional level	to be determined
Russia	RUS/065/R/96-06	Processing of noble metals-bearing material with biochemical solvents "BIOAURUM"	to be determined
Russia	RUS/067/R/96-08	Russian high-speed fleet	to be determined
Russia	RUS/066/ME/96-08	Russian high-tech's to Middle East	to be determined
Russia	RUS/075/R/96-10	Single-stage technology for oil refining (2-nd stage)	to be determined

3.2.3 Projects Under Promotion

A considerable part of work of the Centre's staff was aimed at the identification and formulating of new projects for promotion. The total number of projects at the stage of promotion was 359.

In 1996 projects for promotion were received from different sources:

- Russian enterprises seeking for investment and international co-operation.
- Russian financial and investment companies and banks.
- IPSOs, mainly for projects from developing countries.
- Investment and Technology transfer Forums.
- Foreign companies looking for investment opportunity in Russia.

The projects coming from Russian enterprises were prepared both as a result of a Centre's work program and on different events like "International Business and Technology Exchange" held in Pordenone (Italy) and the presentation of the UNIDO Programme for Upgrading Agro-Industry and Food-Processing in Selected Regions of Russia.

3.3. Trust Fund Agreement of Swiss.

During the reporting period three projects have been identified and promoted within Swiss Trust Fund Agreement No.TF/GLO/96/003. Three projects defined below are under negotiation. A market survey of the quarries in the Moscow region has been started. It might lead to a capital increase by Swiss companies in some aggregate quarries. They are as follows:

Project under negotiation: 3 with total investment of around 10,0 M US\$.

3.3.1. Projects Under Negotiation.

Country	Project number	Title	Total investment (M US \$)
Russia	RUS/078/S/96-12	Mikhailov cement plant	to be determined
Russia	RUS/077/S/96-12	Investment programme in 4 cement plant of the Alpha Cement Group	7.0
Russia	RUS/079/S/96-12	Packaging and shipment equipment's for the Wolsk cement plant	3.0

3.4. DIPP - Databank for Industrial Promotion Programme

As compared to the previous year, the number of projects put into DIPP has increased by 61%. At the moment, DIPP contains information on 1209 projects, 656 Russian enterprises willing to cooperate with foreign companies and 531 potential foreign partners (investors). Besides, the Center possesses a Russian database, encompassing information on 45 thousand enterprises and organizations in NIS.

The most tangible batches of projects were received from Russian regions. For instance, Samara region in 1996 brought more than 200 and Rostov region 50 projects.

Taking into the account that the information of projects and sponsors beyond the scope of UNIDO conferences should be correct, comprehensive and meet the UNIDO standards, a new project is to be put in DIPP after its readiness for promotion, i.e., IIPP form gets an approval of a national expert of the Center.

3.5. Promotion of the UNIDO Methodology and Software Programs - COMFAR and PROPSPIN.

The activities of the UNIDO Moscow Centre in the field of pre-investment study in 1996 were concentrated on the following main directions:

- Assistance in dissemination of UNIDO Methodology for Preparation and Carrying out of Industrial Feasibility Study in the Russian Federation;
- Promotion of COMFAR III Expert software program developed by UNIDO among Russian consulting firms, banks, etc.;
- Carrying out investment project appraisal.

The market-oriented reforms in the Russian Federation and integration into world economy compel developing enterprises and investment banks to apply international approaches for the pre-feasibility studies and the process of preparation and evaluation of investment projects as well as to pay more attention to the quality of the projects in view to increase their competitiveness on the investment resources market. Being internationally acknowledged, COMFAR presents a well functioning tool for all the subjects of economic activity dealing with industrial investment. Under this philosophy, the UNIDO Moscow Centre carries on the activities on the diffusion of the UNIDO concept and software program among State institutions, as well as among Russian enterprises and companies engaged in investment activities.

Meeting the wishes of interest of a number of COMFAR licensees to get closer to the practical aspects of application of the program, the Centre has organized training workshop in Russia. This "COMFAR Training Workshop" was prepared along side with the the Feasibility Study branch of the UNIDO HQ, the Ministry of Economy of RF and the local company SOTROSS and took place in Moscow during three weeks: from 15 January to 2 February. Sixteen participants of the training courses from eleven organization having COMFAR licence have received the certificates at the end of the workshop.

Experts of the Moscow Centre in common with experts of the Ministry of Economy of RF and with supporting of regional administration have organized and realized a set of training seminars and practice conferences in Russian Regions: "Attraction of foreign and local investments in regional economic", devoting to presentation and learning of methods of pre-investment investigations: Moscow Region - in 29-30 May, Far East region and Primorsky kray - in August, Rostov region - in 26-29 November, and Astrakhan' Region - in 23-26 December. In the course of their lectures experts presented COMFAR III Expert software program and introduced the investment project cycle and methodology for pre-investment analysis put into practice in the UNIDO.

The other events where COMFAR and UNIDO methodology were presented presentation during the year were the following:

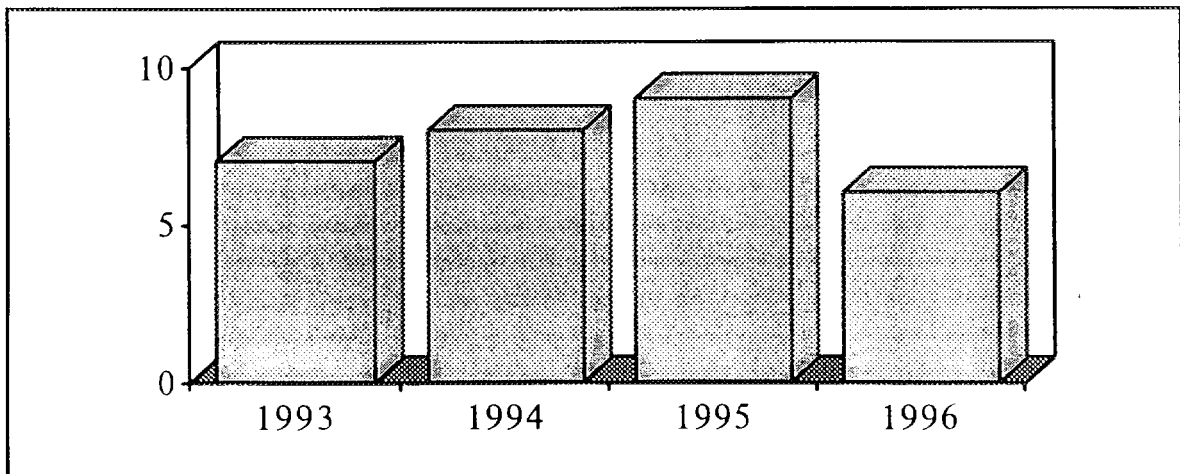
- The international conference in Russian Economic Academy named after Plekhanov "State and prospects of trade-economic relations between countries of East Europe, Caucasus and Middle Asia", 23-25 April.
- The seminar "Analysis of investment projects: methodology, program software, implementation control." for managers of investment departments in industry-building banks associated in group "Russia", 21-23 May.
- The international practice conference "Foreign investment in the Russian economy: problems and Prospects", 30-31 October.

In September 1996, experts of the Centre participated in working out and discussing of draft of the investment legislation for the International Economic Committee of the CIS countries.

In 1996 the UNIDO Moscow Centre assisted to local publishing companies in advertising and distribution of Russian version for the second edition of the "Manual for the Preparation of the Feasibility Studies".

Taking into account an easy access and user-defined flexibility of COMFAR III *Expert*, the Moscow Centre has been constantly marketing new computer software package. In the result of the COMFAR promotion efforts of the UNIDO Moscow Centre about thirty banks, companies and enterprises have been first-hand acquainted with software and received the "order forms". Unfortunately, the absence of the Russian version of this program obviously hampers the wild-spread sales of the program and for this reason a number of potential licensees has postponed the purchasing of the COMFAR III *Expert* until the appearance of Russian Module. For better spreading of software package the basic direction of the Centre activity dealing with COMFAR promotion in the 1996 will be search of source to finance the translation and publication works.

The dynamics of sales of COMFAR is shown in the diagram below:



In spite of above-mentioned difficulty and considerable differences between Russian and Western accounting and taxation systems, six commercial and state Russian organizations purchased COMFAR III *Expert* license during 1996 to prepare and evaluate projects according UNIDO methodology. They are: "Central Bank of Russia, Primorsky Region Headquarters (new user)", "VNIPI-Promtekhologii (new user)", "DonTransInvest (new user)", "Rostov Department of California Commercial Centre" (new user)", "FEA - Zarubezhscetmet (update from COMFAR 2.1 software)" and "Sotross" (update from COMFAR 2.1 software)".

Within the framework of COMFAR advertising activities, a number of articles were published in "Investments in Russia" magazines and also in local press .

To evaluate the basic characteristics and ratios of investment proposals and present their to potential partners in standard format, experts of the Centre use the PROPSPIN program. For example, eight Investments Industrial Project profiles in accordance with recommendation of UNIDO and with using PROPSPIN III software for financial analysis were prepared by experts of the UNIDO Centre in RF for presentation on the Conference "Mineral Resources of the CIS Countries" held in St.-Petersburg from 28 October to 2 November. Unfortunately, owing to incompatibility of the program and non-stable economic situation in Russia it is considered not altogether expedient to use PROPSPIN program for pre-investment appraisal of investment projects.

Within the project preparation assistance at the request of Russian counterparts, five pre-investment appraisal reports such as "Setting-up of production of homeopathic medicines", "Setting-up of the bricks production factory", "Production PVC profiles for window blocks" etc. were prepared by the Center in 1996.

IV. SPECIAL ACTIVITIES

4.1 Technical Assistance Projects

UNIDO Moscow Centre assisted to several companies in identification and implementation of various technical assistance projects presented below.

Restructuring of Izhorsky Zavod plant

The project was aimed at implementation of energy saving program at one of the largest conversion machine building Russians plants. The project task consisted of identifying target areas for implementation of the program and assessing the current efficiency of plant system of energy production and distribution. The Centre' staff member visited the plant and provided evaluation report on energy consumption and leakage as well as recommendation on key points of program implementation.

Financing agency - TACIS.

Total cost: 1.7 m ECU.

Border Crossing Study Phase 1 between EU and CIS

Working under TACIS project "Border Crossing Study Phase 1 between EU and CIS". Identifying of prospects of development of several border crossing points on Russia-Finland, Russia-Estonian, Russia-Latvian borders. Five border crossing points were visited and the evaluation report on the possibilities of modernisation of these points for international traffic was prepared.

Financing agency - TACIS.

Total cost: 1.7 m ECU.

Productivity Initiative Program

The project was initiated by the Centre in cooperation with French engineering company. The financing agency was TACIS Productivity Initiative Program. Within the framework of the program a UNIDO Moscow staff member visited BCEOM HQ in France (from September to December). Main task - accustoming with methodology and facilities of French engineering companies interested in implementing of technical assistance projects in Russia and CIS countries.

Apart from that, the program allowed to develop and promote the project "Rapid Ecological Audit at Regional Level". The project proposal was adjusted to the requirements of French counterpart, namely - Ministry of Environment. Preliminary negotiations were conducted.

Preparation of the 2-nd International Conference "Smart-Cards of Russia RUS/057/R/96-05

In a course of promotion of the project RUS/037/R/95-07 "Production of Plastic Cards in Russia" the Moscow UNIDO Centre assisted to the Russian processing company "Union Card" in preparation of the International Conference (25-27 June, 1996, Moscow), which was organised jointly by the "Union Card" and FAPSI (The Federal Agency for Governmental Communication & Information, Russia).

The aim of the Conference was to discuss the matter of provision of information and technical support for further development of intellectual plastic cards in Russia on a basis of local and foreign experience as well as latest achievements in this field. During the discussion the special attention was paid to the problem of information protection of smart cards. Moscow UNIDO Centre provided invitation of representatives from Russian Governmental as well as private organisations concerned, coordination work and partially a drawing of financial resources. Staff-member of Moscow Centre took part in opening ceremony of the Conference. Overall budget of the Conference was about 40,000 USD (including the sponsors' and participation fees).

Support for the Sea Port of St.-Petersburg. Three Year Project

The project fits well within Indicative Programme for the Russian Federation in that it focuses on Enterprise Restructuring and Development within the priority Transport sector. It will contribute to the maintenance and rationalisation of all transport modes interconnected by the Port and, by reason of St.-Petersburg's geographical position, to the promotion of trade between EC and the Russian Federation. The project is aimed to assist to development of five main directions: Trade Facilitation, Modernisation of Container Terminal, Improvement of Maintenance Policy, Electronic Data Processing, Personal Training to provide finally the same quality of service as the other competing Baltic Sea ports. The overall budget is supposed to be of 2.5 M ECU.

Financing: TACIS.

The Moscow UNIDO Centre assisted to preparation of the company's missions to St.-Petersburg, The Moscow Centre organised a visit to the St.-Petersburg's Governor office, General Consulate of France in St.-Petersburg, the St.-Petersburg's Sea Port Administration as well as the other city organisations concerned and took part in negotiation. The potential local Russian sub-contractor was also identified during the mission, an information on current economic and technical situation in the St.-Petersburg's Sea Port was collected.

European Expertise Service

The aim of the project, being operated since 1992 on the TACIS programme, is a support to economic reforms in NIS (Newly Independent States, including CIS and Mongolia) by way of assistance to development of economic policy and legal advice through a transferring European experience relevant to effective functioning

and management of a market-based sustainable economy and related institutional structures. The project also includes a selection of local Consultants (more than 100 indicative CVs of experts are supposed to consider) who will implement the activities of the TACIS Policy Advice Programme in NIS. To this end, the selected local Consultants should operate the "European Expertise Service" (EES). Among the main areas to be covered by the Consultants are the follows: Macro-Economic Policy, Strategic Restructuring, Government Restructuring and Institution Building, Conversion and Promotion, Legal Matters, Environment Policy.

Financing: TACIS.

The Moscow UNIDO Centre selected and presented more than 20 local experts which could be recruited as the Consultants on all the areas pointed above. The completed CVs were forwarded to the EC Directorate General (Brussels). Professional level of the experts offered was highly appreciated.

Hosting of delegates from IPS-Milan

From February to April the Centre hosted two Italian delegates within the program of cooperation with Milan-IPS. The delegates were intended to get accustomed with Russian economic and investment environment, UNIDO Moscow methodology and to present to local partners the facilities of Milan IPS. The Centre developed the program of stage which included presentation of COMFAR, PROPSPIN, DIPP (and the specific of their application in Russia), the project promotion cycle. In addition to that, the on-site visit of delegates to Yaroslavl city was organised. During this visit the Italian representatives were able to meet with local enterprises and Administration, to learn their requirements and select projects for further promotion.

4.2 Cooperation with Regions

One of the priority tasks carried out by the Centre involves providing assistance to development of regional projects and programs with the participation of foreign partners on a multilateral basis.

At present, the importance of regions in the social-economic development of Russia is increasing drastically. This applies both to foreign economic activity as a whole and to foreign investment in particular. Although setting up of the overall legal foreign economic framework is incumbent on Federal authorities, the specific of investment regulatory framework in regions differs substantially. Therefore, potential foreign partners challenged to perform a comparative assessment of the investment climate in the regions face great problems.

In order to achieve priority objective in a rapidly changing local conditions, the Centre has recently elaborated major guidelines of the activity, which are based on the combination of different factors, inter alia, evaluation of the current political and economic situation inside Russia, perception of roles of main actors of the local investment sector, determination of the current demand for services and real possibilities of local enterprises, etc. As a result the Centre concentrates the activity in the following directions:

- Expansion of the direct contacts and activity with the regions of Russia, where most industrial potential is located. The objective is to involve local authorities and enterprises into investment cooperation on the base of internationally acceptable standards and methodology.
- Creation of the network of field national experts of the Centre in regions for permanent assistance to the regions in identification of investment opportunity and formulation and promotion of projects according to UNIDO methodology.
- Involvement of Russian financial and banking institutions in co-financing of investment projects. The Centre has concluded several agreements on cooperation with major banks and financial corporations.

For better understanding of the scope of the Centre's activity the above mentioned directions are described in more details.

One of the specific current features of the project promotion process in Russia consists of the necessity to resort to local State bodies support when promoting the projects prepared with the assistance of the Moscow Centre's experts. On the other hand, local State administrations face some difficulties in applying the criteria of a foreign investor when assessing the financial viability of their projects meant to be promoted through the UNIDO Moscow Center.

In order to overcome this obstacle some regions of Russia were visited by Moscow Centre's staff members during organization and realization (jointly with the Ministry of Economy of RF) of a set of practice conferences in Russian Regions: "Attraction of foreign and local investments in regional economic", devoting to presentation and learning of methods of pre-investment investigations: Moscow Region - in 29-30 May, Far East region and Primorsky kray - in 2-6 September, Rostov region - in 26-29 November, and Astrakhan' Region - in 23-26 December. In the course of above-mentioned conferences the meetings on the top level took place with the heads of administrations of this regions, as a result of it two new Agreements of Cooperation have been concluded: Volgograd and Yaroslavl Regions, and two have been extended: Krasnodar and Rostov Regions. As a whole the Centre has signed Agreements of Cooperation with administrations of 11 Russian regions, insert in the list of "Registered partners of the Centre". All registered partners receive on regular basis the information materials covering UNIDO and Moscow Centre activity, as well as the information on forthcoming events? organized with the UNIDO participation.

The regions positively reacted to the initiative to establish a net of UNIDO field experts. These experts are supposed to operate in close coordination with the Moscow Centre's alongside with their respective Administration in order to identify, formulate and promote the most viable projects. Besides, these experts would assist in wide spreading of the UNIDO international methodology for project preparation. At present two field experts are working in Perm and Rostov regions, and beginning from January 1997 field expert will be in Volgograd region. During last year a set of industrial investment project proposals from Perm region enterprises were prepared including financial appraisal with using COMFAR III *Expert* software by local expert and promoted through UNIDO network. The activity of local field expert in Rostov region included preparation and publication of the catalogues of regional investment projects, creation of regional data base of investment projects, creation of the WWW investment home page of the Rostov region, introduction of UNIDO methodology of preparation and evaluation of investment projects. The results of activity of field experts from Perm and Rostov regions have been positively evaluated by local administrations and the action will be continued in 1997.

The Centre assisted to the associated company BCEOM in the preliminary phases of several TACIS and World Bank projects for Russian Regions:

- Technical assistance for St.Peterburg Sea Port Development,
- Common environment policies in the NIS,
- Wood industry and Forest management in Baikal and Karelia.

The activities aimed at the support of high technology development and transfer have started under the agreement of joint co-operation between UNIDO IPS Zurich, UNIDO Moscow Centre, Swiss association OSEC and Administration of Samara Region of Russia where UNIDO Moscow Centre representative has been appointed. More than 100 investment and technology transfer projects from Samara Region were screened and passed to IPS Zurich for promotion.

4.3 "EUREKA" Projects

EUREKA was created in 1985 to strengthen the global competitiveness of European industry by promoting Europe-wide co-operative R&D. 24 European countries and the European Union are now members. Each EUREKA project involves partners from at least two Member Countries and aims to develop advanced civilian products, processes or services for the world market. The 1996 EUREKA Ministerial Conference, which met in Brussels at the end of June, celebrated the Initiative's 10th birthday by announcing over 150 new projects worth a total of 2.7 billion ECU, another 122 finished and charting the way forward until the end of the century. The wish to see EUREKA continue playing a key role in European R&D was welcomed and the recommendations of independent group of senior industrialists and R&D specialists were reflected in EUREKA's new Medium Term Plan for 1996-2000. Their Final report on the Role and Medium Term Future of EUREKA contains ten recommendations based on an analysis of the global economic and technological environment for innovation facing industry today.

In particular, they considered that it is necessary to:

- improve the coherence in the approach to R&D and innovation;
- focus on clear overall objectives for innovation;
- identify and build on strengths;
- to define clear tasks for European R&D framework;
- to radically improve the European innovation environment.

The UNIDO Moscow Centre continued to render the assistance both to Russian and foreign partners to initiate new EUREKA projects, to search potential partners, to organize mutual correspondence and holding meetings in Russia and during conferences abroad, in fulfilling EUREKA Forms, etc.

During 1996 the UNIDO Moscow Centre has taken under promotion 1 project, 2 projects has been under negotiations and 1 project has become concluded.

RUS/050/R/96 - "MILTA-F" - Magneto-Infra-Red Therapeutic apparatus with a built-in Photo-Echmeter.

This project has been initiated by Russian company "SIMVOL, Ltd." (Moscow).

Summary: The progress in semiconductor technology had enabled creation of new perspective portative laser and magneto-laser medical tools. As a result of experimental studies and further clinical application, the combined use of the magnetic field and laser light was proved to higher activize and fasten the processes of wound granulation and epythelization, reparative processes in the

bone tissues, leading, for example, to the 1,5-2 times shortening of the treatment duration comparing with the treatment of the infected wounds with the laser irradiation alone with the same intensity and exposition. Some years ago the apparatus for magneto-laser therapy "MILTA-F" has been created in Russia and successfully being used. This EUREKA project aims to create and to product a new model of apparatus for magneto-laser therapy of the next generation on the base of "MILTA-F" with improved parameters using modern materials, microprocessors;
to change the design of apparatus, marketing research, etc.

Potential foreign partners: Switzerland, Poland, Israel, Finland, Germany.

The UNIDO Moscow Centre rendered the assistance in filling "EUREKA Suggestion Form", in searching potential foreign partners, in correspondence.

RUS/074/R/96 - "FWEPS" - Development of a highly efficient ecologically pure float wave electric power station.

This project has been initiated by Applied Technology Company (Moscow).

Summary: Using energy of ocean waves could considerably increase world production of electric power in the absolute absence of ecological disbalance, not environmental pollution, not violating practical use of fertile soils and forests and without any other negative consequences. The project is devoted to the sea-based wave electric power station (FWEPS) development as a facility for converting the wave energy into the electric energy and it applications. The main elements of FWEPS comprise a mechanical wave energy converter, an electric generator and an energy storage located inside the sealed capsule-float.

The project contents:

- development and testing of the prototypes of FWEPS, using sea waves as a primary source of energy with extremely high productivity, efficiency and operation performance;
- development a concept of use the FWEPS for solving of economic problems avoiding the environment contamination and disturbance of processes occurring in the Earth's ecosystem;
- mathematical simulation and calculation of wave intensifying processes and of wave-stable and floating objects interaction processes;
- the investigation of mutual exploitation possibility of FWEPS and sea rigs of stripped oil wells;
- FWEPS applications and marketing research.

Potential foreign partners: Norway, Great Britain, Finland, Sweden, the Netherlands.

Moscow UNIDO Centre rendered the assistance in filling "EUREKA Application Form", in searching potential foreign partners, in correspondence.

RUS/065/R/96 - "BIOAURUM" - The advancement of new technology for processing of noble metals-bearing materials with biochemical solvents.

This project has been initiated by Moscow State Geological Prospecting Academy.

Summary: Present industrial hydrochemical technologies of leaching precious metals from their ores and other gold-bearing products are based as a rule on application of highly toxic and expensive cyanide compounds, substitution of which by low-toxic reagents is of great interest. The perspective direction is application of gold dissolving products of bacterial activity, selected from gold-bearing deposits of Russia and adapted to industrial conditions as well as some other products of biotechnology (hydrolyzed aminoacids, residues of protein yeast productions) that allows eliminate the application of toxic cyanides.

This project suggests the following steps in research:

- selection and adaptation of biochemical solvents from products of biochemical synthesis; development of basic physical and chemical regularities for interaction of cultural liquids with precious metals, for complexing with gold and silver, degradation of complexes;

- optimization of basic technological parameters of bacterial leaching in laboratory and pilot conditions with characteristic samples of ores from different countries;

- optimization of parameters for the following processes of gold recovery using sorption and electrolysis methods to receive concentrates of affintage grade;

- equipment selection on the basis of pilot plant investigations and elaboration of project for commercial realization made by mechanical engineering plants.

Potential foreign partners: Bulgaria, Italy, Belgium.

Moscow UNIDO Centre rendered the assistance in filling the "EUREKA Application Form", in searching of partners, in correspondence.

4.4 Technology Transfer

Transfer of technology, viewed as one of the form of economic cooperation among countries constitutes the important part of the investment process, while it is mainly carried out in the form of foreign direct investment. Generally, a project developed for investment is usually connected with technology transfer, therefore this aspect is already reflected in Chapter III where investment projects implemented by the Centre are described.

The interest of foreign partners for Russian technologies derives from three basic incentives:

- a need to increase a comparative advantage by means of a Russian technology in the existing markets without penetration in Russian market.
- a need to gain access to Russian market by means of adopted Russian technology.
- combination of the above options.

One of the unique opportunities for realization of these incentives are spent forums on investment and technology transfer in frameworks UNIDO. The participation of the UNIDO Moscow in one of such events is reflected in Chapter 4.4.3.

Organization of the visit of Mitsubishi Materials Corporation in Russia

In May 1996 Mitsubishi Materials Corporation approached to UNIDO Moscow Centre in order to develop cooperation with Russian partners having the experience in development and implementation of laser technologies.

Within the framework of the Center's activity on technology transfer the UNIDO Moscow Centre has prepared the programme of the visit of Japanese company Mitsubishi Materials Corporation in Russia.

A set of partners SPA Zenit, SPA Astrophizika, firm Polyus, Laser Technology Centre (St.-Petersburg), Institute of Physics (Nizhny Novgorod) and other was identified and two subsequent visits of Mitsubishi Materials Corporation representative were organized.

In June the company has visited Moscow, St.-Petersburg and Nizhny Novgorod and conducted negotiations with the leading Russian Research Institutes and Science Production Associations dealing in the field of production and development of new laser systems. The negotiations dealt with technological and production opportunities of Russian R&D institutes, which have interested the Japanese company.

By results of exploratory talks in June, programme of visit of the Mitsubishi Materials Corporation delegation for repeated meeting with Russian R&D institutes in November in Moscow and St.-Petersburg was prepared. The purpose of this visit was realization of negotiations on possible ways of cooperation with Russian partners on their specific technologies in the laser production field.

Participation in Slovakia Techmart'96

The UNIDO Moscow Centre has promoted the Slovakia Techmart'96 held in Trencin in November, 1996. The information on the event has been sent to regional authorities as well as to Russian companies.

Two representatives of the UNIDO Moscow Center staff took part in this event. In the booth of the UNIDO Moscow Centre the Centre's representatives submitted more than 30 investment projects from the Russian regions.

At the event meetings the representatives Slovak companies, Romanian companies and Romanian Chamber of Commerce, displayed interests to number of Russian projects were conducted.

During Slovakia Techmart'96 direct contacts to the participants from the German company BVMW BONN and representative of NIMTECH were also established.

V. PUBLIC RELATIONS ACTIVITIES.

5.1. Meetings, Seminars, Symposia.

The staff of the Moscow Centre during the year participated, presented reports and new project proposals during following conferences, seminars and symposiums covering investment activity. They are:

- Problems of attraction of investment to the economy of North Caucasus, held in Rostov on Don on 25-27 January 1996;
- Trade relations in Eastern Europe, held in Moscow on 23-25 April 1996.
- Evaluation and Appraisal of Investment Projects, organised by Russian Association of Banks on 21-23 May 1996 in Moscow;
- Investment Decision Methodology, organised by Inter Bank Educational Centre on 28-30 May 1996 in Moscow;
- Local and Foreign Investment into Economy of Central Region of Russia, organised by the Ministry of Economy and Administration of Moscow Region on 28-31 May 1996 in Moscow.
- The Third Forum of Russian and African Businessmen, organised by Association of business and cultural relations with Africa, on 22-23 May in Moscow.
- The International Geneva Conference, Attracting and developing investment into the Russian Federation, East Europe and African States held on 26-31 May 1996. The representative of UNIDO in Geneva and Directors of IPOs in Paris and Zurich attended the conference.
- Moscow International Oil and Gas 96 Project Conference (18-19 June 1996). The conference has been organised and supported by the Ministry of Fuel and Energy of Russia in co-operation with International Trade and Exhibition JV Ltd.
- International Banking Congress III, Pacific RIM Countries held on 2-6 September 1996 in Vladivostok. The heads of the key organisations as the Ministry of Finance, Central Bank of Russia, Russian Banks' Association, Budget Committee of the State Duma, leading commercial banks and regional authorities have participated at the event.
- Intellectual Property: Influence on Business Activity, organised by NATO and State Committee of Russian for Science and Technologies on 9-11 September 1996 in Moscow.

- Foreign Investment in the Russian Economy: Problems and Prospects (Moscow, 30-31 Oct., 1996). Director of the Centre made a report of UNIDO activity in Russia. A number of Russian organization presented shown a significant interest to the cooperation with the Center.
- Situation in Russian Industry and Urgent Tasks of Industrial Policy (Moscow, 22 Nov., 1996), organized by the Institute of Europe of Russian Academy of Science.
- Russian Chemicals Congress'96 (Moscow, 21-22 Nov., 1996) devoted to the problem of development of Russian chemical industry including gas and oil-processing branches.
- Expert Group of International Economic Committee of the CIS countries on the investment legislation.
- UNIDO Programme for Upgrading Agro-Industry and Food-Processing in Selected Regions of Russian Federation.

5.2. Press and Information

The UNIDO Moscow Centre contacted with the press covered economic and industrial events to present UNIDO's activities and the initiatives promoted during 1996.

The following is a list of articles on the UNIDO activities published in Russia in 1996.

- "Foreign private capital",
"Svobodnaya mysl", Magazine No 9, 1996
- "UNIDO: Projects are here"
"Gorod N", Newspaper of Rostov, 3 December 1996

VI. ORGANIZATIONAL ASPECTS

6.1. Logistics

The Centre consists of four Staff Groups: International Industrial Cooperation Experts, National Experts, National Field Experts and Associated Experts. It was financed in 1996 from the Trust Funds: Trust Fund TC/GLO/89/001 (till 1 October 1996), Trust Fund TC/GLO/96/002 (Russia) and Trust Fund TF/GLO/96/001 (Switzerland).

The Centre is a single office with general rules and regulations of working hours, common expenses on telecommunications and materials. All travel arrangements are centralized.

6.2. Manning Table

The staff off the Centre is composed as follows:

	Entry on duty	End of service
1. Mr. Robert G. Gumen, Director	08.02.93	30.09.96
2. Mrs. Galina P. Pavlova, Secretary	01.10.95	
3. Mrs. Irina P. Vassilieva, National Expert	02.08.93	
4. Mr. Alexander V. Mikhailov, National Expert	01.03.91	
5. Mr. Mikhail N. Tiapkin, National Expert	19.07.93	
6. Mr. Alexander N. Lapounov, National Expert	01.07.93	
7. Mr. Andrei V. Tkatchenko, National Expert	01.09.93	
8. Mr. Cyrill Kisselevski, International Expert	20.08.96	
9. Mr. Dmitriy P. Koutsenko, Associated Expert (assigned to the Centre by the Government)	01.08.95	

Field Experts:

10. Mrs. Svetlana I. Vinnitskaya, National Expert	01.07.95	31.12.96
11. Mr. Konstantin Evtchenko, National Expert	01.04.96	31.12.96
12. Mr. Alexander Poteriakhin, National Expert	01.07.96	30.09.96
13. Mr. Viktor Kochetov, National Expert	01.10.96	31.12.96

ABBREVIATIONS

CCI	Chamber of Commerce and Industry
CEEC	Central and East European Countries
CIS	Commonwealth of Independent States
COFACE	French Insurance Company for foreign Trade
COMFAR	UNIDO Computer Model for Feasibility Analysis and Reporting
CRCI	Regional Chamber of Commerce and Industry
DIPP	UNIDO Databank for Investment Promotion Programme
DPRK	Democratic People's Republic of Korea
EBRD	European Bank for Recinstruction and Development
EC	European Community
ECU	European Currency Unit
EUREKA	European Research Coordination Agency
FDI	Foreign Direct Investments
GOSKOMSTAT RF	The State Committee on Statistics of Russian Federation
HQ	Head-Quarters
IBRD	International Bank for Reconstruction and Development
IIPP	Industrial Investment Project Profile
IPSO	Industrial Promotion Service Office
KF	Kilo Francs (thousand)
N.E.	Not Estimated
PROSPIN	Project Profile Screening and Pre-appraisal Information System
Rb	Roubles
RF	Russian Federation
ROK	Republik of Korea
RSFSR	Russian Soviet Federal Socialist Republic (now - Russian Federation)
SITEF	Salon International des Technologies du Future
SME	Small and Medium Enterprise
T.A.	Technical Assistance
TACIS	Technical Assistance for Community of Independent States
TBD	To Be Determinated
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
USD	Unites States Dollars
WB	World Bank

NEWSPAPER ARTICLES

Елена БРАГИНА,
Роберт ГУМЕН

ИНОСТРАННЫЙ ЧАСТНЫЙ КАПИТАЛ

В МИРОВОМ ЭКОНОМИЧЕСКОМ
ПРОСТРАНСТВЕ 1990-х

Его не любят. Его стремятся приручить. Из него лепят образ врага. В конце XX века экономика без него буксует. Он кислородная подушка для стран, отставших в развитии и стремящихся преодолеть кризис переходности. Он не панацея от всех бед — скорее стимул к развитию, но не само развитие. Он неотъемлемая часть глобализации мировой экономики, противовес замкнутости хозяйства, антипод автаркии. Он иностранный частный капитал.

Сфера действия — мировое хозяйство

Иностранный частный капитал — давний участник мирохозяйственных связей. С древнейших времен из страны в страну впереди солдат, вместе с ними и вслед за ними шли в поисках прибыли купцы со своим товаром и капиталом. Интенсивность финансовых потоков постоянно набирала силу, и к началу XX века они становятся одной из важнейших системообразующих мирового хозяйства. Качественные сдвиги в структуре мирового финансового рынка произошли в результате второй мировой войны и ликвидации схем «метрополия — колония». Соотношение сил между основными странами — экспортерами капитала в известной мере повторяло расстановку экономических и политических сил на мировой арене. Ведущими агентами в мировом экономическом пространстве, поставщиками и пользователями иностранного частного капитала оставались в последние 100 лет одни и те же немногочисленные страны. В этот клуб избранных пробился только один новичок — Япония, стремительно набирающая силу, начав некогда с нуля. По итогам 1994-го японская «Мицубиси» возглавила список 500 крупнейших компаний мира (из первых 30 мест корпорации Японии заняли в нем 16, американские — 11, причем прежнего лидера, «Дженерал моторс», отодвинули на пятое место)¹. Англия потеряла безусловное первенство, связанное с ее былым положением главной колониальной державы. США удерживали свое превосходство в иностранных прямых инвестициях (ИПИ) сравнительно недолго. Позиции основных стран-кредиторов распределились к концу XX века более равномерно, хотя здесь преимущество США (четверть всех зарубежных инвестиций) еще сохраняется. Термин «Триада», предложенный японским консультантом по менеджменту Кенити Омае и объединяющий три группы лидеров мирового хозяйства — Северную Америку, Западную Европу и развитые страны Дальнего Востока², вполне адекватен реальности.

В докладах ООН последних лет этот термин несколько сужен и используется применительно к США, ЕС и Японии. Их доля к середине 90-х составила 39 процентов в привлечении иноинвестиций и 45 — в их предоставлении. Внешнеэкономические связи (а иноинвестиции — их наиболее подвижное и адаптивное звено) становятся решающим фактором развития мира. В современной, все более открытой и конкурентной

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