UDMURT REPUBLIC

INVESTMENT MEMORANDUM

Izhevsk
2016
Dear investors!

Welcome to our remarkable republic, the region with comfortable conditions for effective work and life.

Dozens of large companies of high-tech industries are located in Udmurtia. They produce rocket and space technology, unmanned aerial vehicles, cars, motors and other electrical products, communications equipment and telecommunications systems, supercapacitors, and equipment for oil production, medical equipment and more.


Forests cover 44% of the territory of Udmurtia’s land area. A large forestry and timber industry produces and exports a wide range of environmentally friendly products, furniture, wood products.

Udmurtia produces up to 11 million tons of oil annually.

In the agricultural sector our republic maintains its position in the top ten major Russian producers of meat and dairy products.

Our region posses skilled workforce ready to work with application of advanced technologies. We are proud of an effective system of professional comprehensive education for engineering staff.

Udmurtia has a well-developed financial infrastructure.

The republic is notable for political stability and advantageous geographical position. The commissioning of the bridge over the Kama river near the city of Kambarka by September 2016 will open new investment opportunities. It will significantly improve transport efficiency and connectivity between central parts of Russia, the Urals and Siberia.

We have created the essential conditions to attract and maintain investors’ interest. The relevant legislative framework is regularly updated. The system of guarantees, privileges and preferences is being expanded.

I will tell you even more, my doors are always open for you. You may rely on my support in implementation of the boldest projects and proposals.

Udmurtia is waiting for you, dear friends!

Head of the Udmurt Republic
Alexander Solovyev
I. GENERAL PROVISIONS

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

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

II. BRIEF INFORMATION ABOUT THE UDMURT REPUBLIC

2. Geographical location.

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

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

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

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

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Distance between the capital of the Republic, Izhevsk city and Moscow is 970 km, St Petersburg – 1370 km, Yekaterinburg – 450 km, Kazan – 279 km.

The Udmurt Republic has all kinds of transport communication with other regions of Russia. The transportation system includes 779 km of railways, 16 263 km of public roadways including 6039 km of roadways with hard surface, including those of regional and municipal significance – 5897 km,
180 km of navigable river routes opening onto the Caspian, Black and Baltic seas. The most important river ports are – Kambarka, Sarapul. Navigation along the Kama River is executed within the republican limits. Navigation duration is – 6.5 months.

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

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

4 main oil pipelines (729 km) go across the territory of the Udmurt Republic: transit «Surgut-Polotsk» (205 km), «Kholmogory-Klin» (205 km) as well as regional – «Kiengop-Naberezhniye Chelny» (252 km), «Nozhovka-Mishkino-Kiengop» (67 km), securing transportation of oil extracted in Udmurtia.


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

The population of the republic is more than 1.5 million people of which 65% accrue to citizens of towns and urban-type settlements. 58.5% from the total population of the Udmurt Republic is in active working age.

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

4. Natural Resources Potential.

As of January 1, 2015 forestry lands the portion of which amounts to 48.7 % as well as agricultural lands – 44.3% prevail in the structure of land reserves of Udmurtia. Share of other lands is 7%.

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

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

For the first time commercial oil was produced in the Republic in January, 1955. Annual volume of oil production is more than 10 million tons and according to this indicator Udmurtia is the 13th in Russia.

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

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

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

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

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


The economic basis of the Udmurt Republic is industry that provides 45% of the gross regional product.

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

Currently the republic has about 250 large and medium industrial enterprises with modern equipment and skilled personnel. Good manufacturing practice at many plants was established in the process of fulfillment of large military orders and confirmed with certificates of conformity to international quality standards ISO 9001 and ISO 14001. Designing facilities, intellectual potential of defense enterprises are competitive advantages of the republic.

Udmurtia produces 90% of Russian shot-guns and sporting guns, rocket-and-space equipment, equipment for nuclear power plants, motor cars, medical equipment, oil and gas equipment, rolled steel, communication tools, radio electronics as well as consumer goods.

In 2014 implementation of the investment project «Reconstruction of Izhevsk CHPP-1» was completed with commissioning of additional generating capacities that allows increasing provision with electric power produced by power plant of the Udmurt Republic from 32% of the region’s need in electric power up to 50%.
Thermal power plants provide 60% of demand of the Udmurt Republic for electric power. 40% of heat generation accrue to boiler plants of the housing and utilities complex of municipal entities and boiler plants of industrial enterprises.

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

In the structure of the land fund of Udmurtia as of January 1, 2015 the dominant part is taken by forest lands whose rate composes 48.7% as well as agricultural lands – 44.3%.

Udmurtia is accounted for 1.4% of the all-Russian and 6.2% of gross agricultural output of the Volga Federal District.

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

The major part of plough-lands is soddy-podzolic soils. As of January 1, 2015 the total area of agricultural lands composes more than 1.84 mln ha including 1.4 mln ha of plough-lands.

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

The republic fully satisfies its demands for the food staples. 7.9% of milk, 6.1% of meat, 8.9% of eggs produced in the Volga Federal District accrue to its portion.

6. Ratings.

In December, 2014 the Rating Agency Expert PA assigned the Udmurt Republic with the 39 rank in the rating «Investment Potential of Russian Regions» with the indicator ЗВ1 (reduced potential - moderate risk)

According to the results of the National Rating 2015 by the Autonomous Non-Commercial Organization «Agency for strategic initiatives to promote new projects» the Udmurt Republic is in the III group of the rating by integral index and sets 43 rank of 76 constituents of the Russian Federation and 9 rank of 14 constituents of the Volga Federal District.

According to the estimates of efficiency of the activity of the heads of federal executive authorities and heads of the constituents of the Russian Federation on creation of favourable conditions for business for 2014 performed by Ministry of Economic development of the Russian Federation (pursuant to Decree of the President of the Russian Federation dated September 10, 2012, No 1276) the Udmurt Republic is in the group of the regions with medium level of social and economic development and high level of target value achievement setting 6 rank of all the regions by efficiency (in 2013 the Udmurt Republic set 18 rank). In the total rating considering the level of social and economic development the Udmurtia set 11 rank compared to 39 rank in 2013.

According to the results of 2014 Udmurtia set 15 rank among the Russian regions in the rating by development level of public and private partnership performed by the Center of Development of Public ad Private Partnership supported by the Ministry for Economic Development of the Russian Federation and the Chamber of Commerce and Industry of Russia for the purpose of complex estimation of the potential of the constituents of the Russian Federation to attract private investments to the projects of the public ad private partnership. Compared to 2013 the republic has reinforced its positions by 9 points moving up from 24 rank. Among the regions of Volga Federal District Udmurtia sets 7 rank by development level of public and private partnership.

III. PRIORITIES OF STATE INVESTMENT POLICY

7. The main objective of the state investment policy of the Udmurt Republic is formation of in-demand and most reliable, safe and comfortable environment for business development including systems effective management of investment process enabling to maximize the inflow of investments into the Udmurt Republic to the benefit of its stable social and economic development.

8. The main tasks of the investment development of the Udmurt Republic are the following:

1) Competitive growth of the companies of production sphere of the economy.

2) Increase of the living standards of the republic population.

3) Preserving and development of human resources.

4) Development of small and middle-sized entrepreneurship.

5) Well-balanced territory development of the Udmurt Republic based on the expert location of production and realization of the economic potential of the territories of the Udmurt Republic.
IV. INVESTMENT PROJECTS AND SITES

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

11. The Register of Investment Projects of the Udmurt Republic (hereinafter referred to as the Register) is formed and kept by the Investment Promotion Agency of the Udmurt Republic.

12. The project base is formed and kept by the Ministry of Economy of the Udmurt Republic and presents passports of investment projects and sites. Recent version of the project base is located at the investment portal of the Udmurt Republic www.udminvest.ru.

V. FORMS OF PARTICIPATION OF UDMURT REPUBLIC IN INVESTMENT ACTIVITY

13. Direct participation in the investment activity as the participation in the public and private partnerships including budgetary provisions of the Investment Fund of the Udmurt Republic.

14. Indirect participation in investment activity as state support of the investment activity.

VI. STATE SUPPORT OF THE INVESTMENT ACTIVITY

15. Forms of State Support of Investors.

1) Granting investors with tax credit for income tax payable to the budget of the Udmurt Republic and (or) immunity from property tax.

2) Granting to the investors with subsidies for refunding of a part of interest rate on credits and a part of expenses for lease payments for investment purposes using the funds of the budget of the Udmurt Republic.

3) Providing investors with state guarantees of the Udmurt Republic.

4) Granting investors with deferral, tax payment by installments and other statutory charges payable to the budget of the Udmurt Republic.

5) Providing investors with lease (without tendering process) of plots of land to locate objects of social and cultural and (or) public utility significance, implementation of large-scale investment projects according to the Executive Order of the Head of the Udmurt Republic.

6) Tax assessment of 0 percents for taxpayers – entrepreneurs when applying the simplified tax system and patent system in the territory of the Udmurt Republic.

7) Extension of activity types under which it is possible to apply the patent tax system, to change the maximum amount of potentially possible annual income received by the entrepreneur (according to the federal legislation).

8) Providing investors with special use conditions of real estate (except plots of land) owned by the Udmurt Republic.

9) Creation and development of areas (territories) of economic favour for investment activity including industrial parks, clusters.

10) Providing with informational and organizational state support to investors.


In 2006 the Council for Investment Activity and Competitive Policy (hereinafter – the Council) headed by the Head of the Udmurt Republic was established in the Udmurt Republic. The Council is the constancy and expert body and it is formed from representatives of the bodies of state power of the Udmurt Republic, local authorities in the Udmurt Republic (upon agreement), territorial authority of FAS of Russia (upon agreement), regional authorized agent on human rights, on protection of entrepreneurs’
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rights (upon agreement), public organizations representing the interests of entrepreneurs and consumers (upon agreement), other participants of the investment activity in the Udmurt Republic (upon agreement) for the purposes of unified state investment and competitive policy in the territory of the Udmurt Republic conforming to the interests of social and economic development of the Udmurt Republic and the interests of the investors, consideration of the projects of legal acts of the Udmurt Republic and other documents developed for the purpose of stimulating the development of the competition in the part of their possible impact on the condition and development of the competition.

To increase the investment attraction of the Udmurt Republic, creation of favourable conditions for investment activity in the territory of the Udmurt Republic the Regulations for Support of Investment Projects Being Implemented and (or) Planned for Implementation in the Territory of the Udmurt Republic According to the One Stop Principle is approved.

17. Infrastructure of State Support of Investment Activity.

In the republic the complex of measures and mechanisms aimed at increasing of investment attraction of the region, creation of competitive conditions for business development is realized; institutes for development and support of entrepreneurship works actively; there are determined executive government authorities of the Udmurt Republic developing and realizing the state investment policy and managing the investment activity and public and private partnership: Ministry of Economy of the Udmurt Republic and Investment Promotion Agency of the Udmurt Republic.

Ministry of Economy of the Udmurt Republic exercises the powers on state support of investment projects according to the legislation of the Russian Federation and the Udmurt Republic and functions on realization of state policy in the sphere of investment activity and public and private partnership: Ministry of Economy of the Udmurt Republic and Investment Promotion Agency of the Udmurt Republic.

Investment Promotion Agency of the Udmurt Republic maintains the support system for investment projects according to the One Stop Principle.

Autonomous Non-Commercial Organization «Investment Promotion Center of the Udmurt Republic» renders organizational and methodological support of investment projects’ implementation. Autonomous Non-Commercial Organization «Investment Promotion Center of the Udmurt Republic» includes the Center of Cluster Development of the Udmurt Republic that forms and realizes the projects on territorial cluster establishment in the Udmurt Republic.

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

Small and Middle-Sized Business Loan Guarantee Fund of the Udmurt Republic is implementing the Program on provision of loan guarantees enabling the entities of small and middle-sized entrepreneurship not having sufficient collateral to obtain banking credits and loans. Small and Middle-Sized Business Loan Guarantee Fund of the Udmurt Republic includes: Coordination Center For Support of Export Oriented Small and Middle-Sized Business Entities of the Udmurt Republic provides legal, financial, tax and other consultations related to foreign economic activity, selection of the form of business conduct abroad; Regional Integrated Center specialized in involving small and middle-sized business entities in the process of internationalization in cooperation with foreign partners for the purposes of increasing the total competitiveness of business in the in native and foreign markets in the age of globalization (import, export, technological and scientific cooperation, technology transfer; Regional Engineering Center (REC).

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

The centers of technology transfer in the leading higher education institutions and scientific establishments of the republic provide the effective application of the scientific and technical developments for production purposes (Business-Incubator of Federal State Educational Institution of Higher Professional Education Kalashnikov Izhevsk State Technical University, Engineering Center «Special Technologies of Surface Formation by Set Properties» of Federal State Educational Institution of higher professional education Kalashnikov Izhevsk State Technical University, Center of Marketing and Transfer of Technologies of Federal State Educational Institution of Higher Professional Education Udmurt State University, Technology Transfer Center of State Budget Educational Institution Izhevsk State Medical Academy, Center of Strategic Initiatives and Development of Federal State Education Institution of Higher Professional Education Kalashnikov Izhevsk State Technical University, Engineering Center of Innovative Researches and
Expertises of Federal State Educational Institution of Higher Professional Education Udmurt State University, Technology Transfer Center of Federal State Educational Institution of Science Institute of Mechanics of Ural Branch of Russia Academy of Sciences).

Additionally the infrastructure of innovative and investment activity is supported by: Office of Fund for Small Business Support in Scientific and Technical Sphere in the Udmurt Republic, Municipal Budget Institution Glazov Business-Incubator, Autonomous Non-Commercial Organization Center of Entrepreneurship Development of the Udmurt Republic, Republican Center of Children's and Youth Innovation Activity in Izhevsk.

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

1) Law of the Udmurt Republic dated March 5, 2003 No8-RZ «Concerning Tax Privileges Related to Exercising Investment Activity»;
2) Law of the Udmurt Republic dated November 27, 2003 No55-RZ «On the Corporate Property Tax in the Udmurt Republic»;
3) Law of the Udmurt Republic dated June 22, 2006 No 26-RZ «Concerning State Support of Investment Activity in the Udmurt Republic»;
4) Law of the Udmurt Republic dated October 9, 2009 No 39-RZ «Concerning Participation of the Udmurt Republic in Public and Private Partnerships»;
5) Law of the Udmurt Republic dated April 3, 2013 No14-RZ «Concerning Investment Fund of the Udmurt Republic»;
6) Law of the Udmurt Republic dated May 12, 2015 No 24-RZ «Concerning Criteria to Be Conformed to by Objects of Social and Cultural and Public Utility Significance and Large-Scale Investment Projects for the Purposes of Lease of Plots of Lands Without Tendering Process»;
7) Decree of the President of the Udmurt Republic dated November 23, 2006 No 175 «Concerning the Council on the Investment Activity»;
8) Decree of the President of the Udmurt Republic dated April 10, 2012 No 68 «Concerning the Investment Authorized Agent in the Udmurt Republic»;
9) Decree of the Head of the Udmurt Republic dated May 26, 2014 No 166 «On Approval of Investment Strategy of the Udmurt Republic for the Period by 2025»;
14) Udmurt Republic Government Regulations dated May 2, 2012 No 183 «On Approval of the Regulations for the Procedure of Subsidies for Refunding of a Part of Interest Rate on Credits and a Part of Expenses for Lease Payments Granted to Economic Entities of the Udmurt Republic Using the Funds of the Budget of the Udmurt Republic»;
15) Udmurt Republic Government Regulations dated June 10, 2013 No 244 «On Approval of the Regulations for the Investment Fund of the Udmurt Republic»;
16) Udmurt Republic Government Executive Order dated December 2, 2013 No 553 «On Approval of the Regulations for Support of Investment Projects Being Implemented and (or) Planned for Implementation in the Territory of the Udmurt Republic According to the One Stop Principle»;
17) Udmurt Republic Government Executive Order dated July 6, 2015 No 336 «On Approval of the Procedure of Formation and Maintenance of the State Register of Investment Projects of the Udmurt Republic»;
19) Udmurt Republic Government Executive Order dated May 10, 2011 No 344-r «Concerning the Liaison Protocol of the Executive Bodies of the State Power of the Udmurt Republic Solving the Task of Increasing the Volume of Investmentsand Flow of Revenues into the Budget of the Udmurt Republic»;
19. In the territory of the Udmurt Republic it is guaranteed the stability of the investors' rights and provision of the conditions for investment activity as provided by the legislation of the Russian Federation and the Udmurt Republic.

20. The investors are entitled to apply for their right protection to the investment authorized agent in the Udmurt Republic appointed by the Head of the Udmurt Republic.

21. The government authorities of the Udmurt Republic within the scope of their powers are obliged to guarantee and ensure the following:

1) free access to the information on the investment activity possessed by the government authorities in the Udmurt Republic;
2) settlement of disputes occurred in relation to the implementation of the investment projects;
3) non-application of measures binding the investors to make additional financial investments not related to the implementation of the investment project.

22. Foreign investors are guaranteed within the powers of the Udmurt Republic provision of equal rights for exercising investment activity with Russian legal entities and entrepreneurs in the territory of the Udmurt Republic.


VIII. CONTACTS

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