



Moscow City  
Government

# MOSCOW INVESTMENT DIGEST

May 2016



## Dear Colleagues,

The Department of Economic Policy and Development of Moscow and the Moscow City Investment Agency present the second issue of the Moscow Investment Digest.

The Moscow Investment Digest, an informational and analytical project, is dedicated to key events and changes in the city's investment sphere, new opportunities, legislative initiatives, mechanisms for supporting investment in both existing and new enterprises, and also to the real results of the work to improve Moscow's investment climate. The [Digest's first issue](#) in Russian and English is available for downloading from the Moscow Investment Portal.

## **The first six enterprises receive preferences under Moscow's new programme for supporting existing industrial complexes and technoparks**

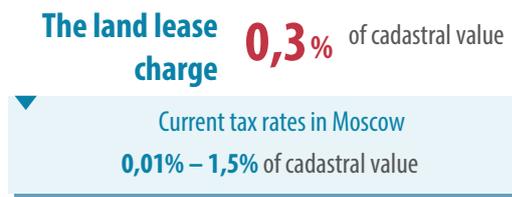
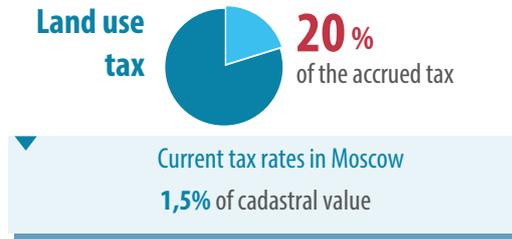
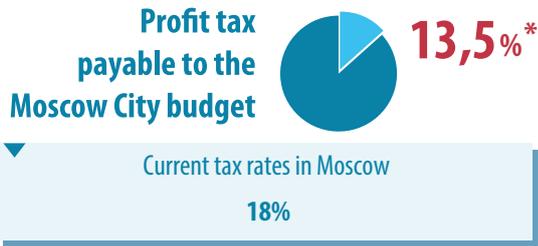
In late April 2016, the first six Moscow enterprises received Industrial Complex Status under the support programme for existing industrial enterprises and technoparks. They include: OJSC Moscow Mill Works No. 3; OJSC Krasny Oktyabr Confectionery Manufacturer; OJSC ROT FRONT; OJSC Babayevsky Confectionery Group; CJSC Bakery Plant No. 24; JSC Wimm-Bill-Dann.

Industrial Complex Status allows to reduce regional taxes for enterprises averaging 19% through reduced property, profit and land tax and lower land rent payments.

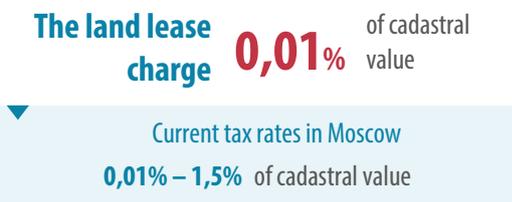
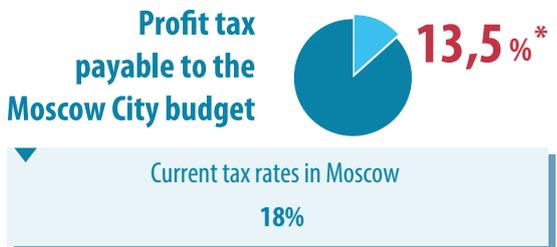
Overall, the area of land occupied by the enterprises granted Industrial Complex Status is about 42 hectares; the companies employ over 11.2 thousand people and have invested nearly 9.3 bn RUB over 5 years (2010–2014).

In addition, from March 2016, [applications for support](#) for private industrial and high tech technoparks are being accepted and considered. Technopark status grants companies a 25% regional tax reduction through significant cuts in profit, property and land tax and lower land rent payments.

### BENEFITS FOR INDUSTRIAL COMPLEXES



### BENEFITS FOR TECHNOPARK S



\* for organisations and subjects of investment activity in respect of profit obtained from carrying out priority investment projects in the City of Moscow, for the management company and anchor residents of the Technopark

\*\* applicable to real estate

## Applications for Government support are still being accepted

The procedure for considering an application and granting industrial complex and technopark statuses has been simplified as far as possible. It is now possible to apply online on the [Moscow Investment Portal](#) and to submit a paper application via the Department of Science, Industrial Policy and Entrepreneurship of Moscow. From 2017 onwards, applications will only be accepted electronically via the Moscow Investment Portal.

## Moscow signed 10 agreements at the Hannover Messe 2016



In April 2016, a delegation from the Moscow City Government headed by Deputy Mayor Natalya Sergunina, attended [Hannover Messe 2016](#), the world's biggest trade fair for industrial technology. During the fair, Moscow and foreign companies, technoparks, academic and public associations signed 10 agreements on partnership and project development in Moscow.

In particular, a memorandum was signed at the Moscow City Government's booth on localising Weidmüller's (Germany) industrial equipment manufacturing at the Unitel Engineering LLC production facilities.

Three new technoparks will be launched in Moscow in 2016. As Natalya Sergunina noted, they include sector-specific technoparks. An agreement was signed at the fair to launch a printing technopark in Moscow. Stage one includes expanding the production facilities of the Moscow Packaging Centre, which, jointly with the Intellect Lending Group, will build additional industrial facilities before mid-2017. At stage two, in late 2018, the Intellect Lending Group and OJSC Moscow Packaging Centre will launch a printing technopark made up of at least 15 enterprises.

## Moscow leads in developing public-private partnerships (PPPs) in Russia

Developing PPPs is one of Moscow's investment priorities. During the last few years, the city has systemically worked on improving the regulatory environment and expanding PPPs, and now Moscow, which formerly ranked third, takes [the first place](#) among Russia's regions in public-private partnership development in 2015.

The main principles for implementing PPP projects in Moscow include:

- projects providing a comprehensive service or an end product
- diversity of legal forms used: concessions, life cycle contracts, contracts with investment commitments
- the most efficient risk distribution between parties
- limited involvement of the city in a concessionary's operations
- clear regulation of the parties' responsibilities

## **Contracts for infrastructural PPP projects total over 500 bn RUB**

PPP projects in Moscow have already seen contracts worth over 500 bn RUB, most private investment going into concessions and life cycle contracts.

In three years, the overall volume of concluded concessionary agreements exceeded 65 bn RUB. [The Northern Bypass for Kutuzovsky Avenue](#) is being constructed under a concessionary agreement. It is a unique high-speed toll road from the Moscow Ring Road to the city centre, is intended for improving the traffic situation in the west of Moscow and around the Moscow City District and for developing the city's territories. The toll road will have no fewer than six lanes with convenient exits to the Moscow Ring Road, to Barclaya Street and to the Moscow City District. Toll road construction will begin in 2017 and, already by 2021, it will be fully operational. Currently, it is in the design stages and construction sites are being set up.

Jointly with the investment community, the city is considering opportunities for implementing other PPP road construction projects.

The Moscow City Government is implementing another project as a PPP: purchasing and maintaining rolling stock for the Moscow Metro, in the format of [life cycle contracts, \(LCC\)](#). Contracts worth over 245 bn RUB were concluded in 2013–2015 under the LCC model.

## **Small PPPs. The first hundred facilities are turned over to investors under the 1 RUB per 1 sq. m programme**

Moscow makes active use of PPPs not only in big business projects but also in projects for small and medium-sized businesses in such socially relevant areas as public health, education and cultural property restoration. The programme is conducive to developing private entrepreneurship in Moscow. It also creates the necessary competition for state-financed entities, expands supply of and improves medical and educational services. Investment for

contracts concluded under the **1 RUB per 1 sq. m** preferential real estate leasing programme with investment commitments will amount to **3.8 bn RUB**.



In order to improve the availability and quality of primary medical care in Moscow, the [Doctor Nearby](#) project is being implemented. Under the programme, private investors, at their own expense, renovate facilities acquired through open bidding, equip them and make them ready for providing medical care. Facilities for the Doctor Nearby programme are carefully selected by the city at locations where there is a demand for primary medical care. When the medical facility

becomes operational, the lessee switches to the preferential lease rate of 1 RUB per 1 sq. m. Along with paid-for services, the clinic must provide primary medical care under the Compulsory Medical Insurance plan. The lease term is 20 years and 55 facilities have already been turned over to investors, 27 of which are already operational.

In order to develop private education, a project is being implemented for leasing out dilapidated buildings to house [educational institutions](#). At its own expense, the investor renovates a facility acquired through open bidding and equips in order to open a school or a kindergarten. When the educational facility becomes operational, the lessee switches to the preferential lease rate of 1 RUB per 1 sq. m. The lease term is 49 years. Since the launch of the programme, 30 facilities have been turned over to investors through open bidding, 12 of which are already operational.

In order to restore [Moscow's cultural property](#), the city is combining budget financing with attracting private investments. The programme has similar conditions: over five years, the investor must, at its own expense, restore the property, which is in a poor condition. When fulfilment of preservation commitments has been confirmed, the lessee switches to the preferential lease rate of 1 RUB per 1 sq. m. The lease term is 49 years. Currently, 14 sites have been turned over to investors, 4 of which have been fully restored. These are: an 18th–19th century city mansion by the architect Konstantin Busse, a late 19th century residence popularly known as



“the House with caryatides”, the Large Seville Orange Conservatory, and the 1927 Administrative building on Bolshoi Kozlovsky Pereulok.

Bidding instructions for auctioned property are available on the Moscow Investment Portal ([www.investmoscow.info](http://www.investmoscow.info)). You may also read about the conditions for and results of programme implementation and use personal web-office services to register for viewing the facilities up for auction and for viewing the privatisation file.

## Current investment sites in Moscow

In May 2016, Moscow put up for auction a [facility](#) for growing planting potatoes in the west of Moscow (total area of over 18.2 thousand sq. metres). This facility might be of interest, first and foremost, to agricultural businesses. The complex of buildings may accommodate academic, research, creative, design facilities, media entities, or innovation centres. The starting price is 573 m RUB. Bids are accepted until 6th of June. The auction will be held on 10th of June 2016. On 18th of May, at 3:30 pm, a Road Show for the facility will be held at the trading exchange (VDNKh, Pavilion 9).

Currently, the city is selling stock in [OJSC VARZ 400](#) (starting price 781.5 m RUB), [OJSC IBC Intourist](#) (starting price 1.4 bn RUB), [OJSC MOS OTIS](#) (starting price 964 m RUB); and [OJSC MOSALARCO](#) (starting price 265 m RUB).



In late April, the city concluded a sales contract with the Apart Group for the book-shaped building on Novy Arbat. The transaction is worth 2.4 bn RUB. The asset occupies over 28.9 thousand sq. metres in the 26-storey building.

In the first quarter of 2016, 433 auctions of land and property were held for a total of 5.84 bn RUB.

The full list of auctions is available in the [Auction](#) section of the Moscow Investment Portal.

## Time to Invest in Moscow

In order to present investment opportunities, the Moscow City Government has prepared an informational and analytical leaflet Time to Invest in Moscow in [Russian](#), [English](#) and [German](#). It contains detailed information on Moscow's socioeconomic situation, its competitive edge, existing development institutions and support opportunities for investors in the city's real economy. The leaflet contains information on the most promising investment projects and areas and describes the advantages, tax and non-tax preferences, and other forms of incentive to private investment in the city's economy.

The leaflet may be downloaded from the Moscow Investment Portal: [www.investmoscow.info](http://www.investmoscow.info)



We remain sincerely yours and hope for future cooperation,



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and Development of Moscow  
[www.depr.mos.ru](http://www.depr.mos.ru)



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