ADDRESS BY MAYOR OF MOSCOW

# SERGEI SOBYANIN

Dear Friends,

Moscow is one of the world's largest business and financial centres. It is a global metropolis running a large-scale programme of urban infrastructure development and offering a wide range of opportunities for investors from around the world.

Cutting-edge information technologies and communications, finances and insurance, construction and real estate business, transport and commerce, education and healthcare make the greatest contribution to the development of Moscow's economy. The industrial sector, which accounts for one sixth of Moscow's regional GRP, plays an important role as well.





In 2019 capital asset investments reached USD 40 bn, 8.9% higher in comparable prices against previous year. The amount is significant, but there are still reserves for increase.

Given the current economic situation, Moscow has gained additional competitive advantages. While retaining the quality of its investment climate, the city has become one of the world's most attractive metropolises in certain expenditure categories.

Recently, the capital city has taken a series of steps to reduce the costs of doing business, simplify administrative procedures and improve tax and tariff policies.

We are actively developing mechanisms for public-private partnership, including concessions, life-cycle contracts, and real estate leases with mutual obligations. New technoparks and technopolises are being established to launch hi-tech manufacturing.

All these factors taken together ensure Moscow's growing investment appeal. Our principal goal is to transform the capital of Russia into a metropolis that is convenient for people to live in and for businesses to work in. While working toward this, we hope for continued fruitful cooperation with the investment community. Our joint work will result in new projects benefiting Moscow and its residents.

Mayor of Moscow

Sergei Sobyanin

# 1 MOSCOW TODAY

Socioeconomic situation

## MOSCOW IS ONE OF THE WORLD'S LARGEST URBAN ECONOMIES

**$285** bn GRP

**1/5** of the gross value added (GVA) of all Russian regions

Top10

Moscow is among the world's **Top-10** metropolises by Gross Regional Product (GRP)

## ONE OF THE BIGGEST CONSUMER MARKETS

**Population of the Moscow metropolitan area:**

**20** m people

**14%** of Russia's population

**>$180** bn

**annual consumer spending**

3rd place among European cities

**15%** of Russia's retail trade turnover

## STABLE INVESTMENT GROWTH

**$40 bn**
**fixed capital investments**
in 2019

**15%**
of total investment in fixed assets in Russia

investment grew **2.3** times in 9 years

**~50%**
of all foreign direct investment in Russia

**$252 bn**
in total accumulated foreign direct investment (as of October 1, 2019)

## LEADER IN PUBLIC-PRIVATE PARTNERSHIP (PPP) DEVELOPMENT

**$17.3 bn**
**signed public-private partnership agreements (PPP)**
(2013-December 2019)

**1 st place**
**in PPP Development in Russian Regions Ranking**
(in 2016 - 2019)





## INTERNATIONAL CENTRE FOR BUSINESS AND COMMERCE

- proximity to core consumer markets in Russia, Eastern Europe, CIS countries and the Baltic
- **Global** business hub: most of the world's biggest international companies have offices in Moscow
- **more than 700 thousand** legal entities, **20%** of the overall number of companies registered in Russia

## STABLE POSITIONS IN INTERNATIONAL RANKINGS

**1 st place**
**in United Nations E-Government Survey 2018**

UNITED NATIONS

**5 th place**
in the quality of life ranking: **World's Best Cities**

RESONANCE

**9 th place**
among major cities in the **European Cities and Regions of the Future ranking: Financial Times/ FDI Intelligence**

fDi EUROPEAN CITIES & REGIONS OF THE FUTURE

**18 th place**
in Global Cities Index AT Kearney

ATKearney

# MOSCOW IS A MODERN METROPOLIS THAT IS CONVENIENT TO LIVING AND ATTRACTIVE FOR DOING BUSINESS

## Convenient transport infrastructure

single integrated public transport grid

**15** Metro lines and
**232** Metro stations,
**31** MCR stations

**more than 1,000**
ground transport routes

**more than 23,000**
carsharing vehicles

**>50 000**
licensed taxis

**The Moscow traffic situation has improved, as has road safety:***

- average speed on the road has risen by **16%**
- number of traffic accidents has fallen by **63%** (Moscow is Russia's safest city)
- the city has **100%** smart transit system coverage

* - compared to 2010





## Developed infrastructure for trade and public food services

**>58 000**
stationary retail outlets

**>14 000**
public catering outlets

## Improving public spaces

**>600**
green territories (parks, natural sites) beautified*

**>300**
streets beautified**

**>7000**
building facades renovated *

**230**
bike routes and bike lanes**

## World-class culture and arts centre

World culture monuments and Russia's national symbols:
Moscow Kremlin, Bolshoi Theatre, Tretyakov Gallery, Moscow Conservatoire, etc.

**8 thousand**
world cultural heritage sites

## Centre for Russian and international tourism

**>20 m**
tourists visit Moscow annually

**>$ 13.7 bn**
Volume of tourist consumption in 2018

* - in 2011–2017 ** - in 2012–2017

# 2 WHY MOSCOW?

Competitive advantages for business

## QUALITY LABOUR FORCE

**11 m people**
economically active population in the Moscow metropolitan area

**>180 thousand people**
annual number of university graduates

**50%** of employed people **have a higher education**

attraction centre for **qualified workforce** from other Russian regions and CIS countries

## EDUCATIONAL CAPITAL OF RUSSIA

- approximately **>150** public and private higher education institutions (universities, institutes, academies, etc.)
- **>700 thousand** students

## HIGH SCIENTIFIC POTENTIAL

**~20%**
of Russia's R&D organisations

**27%** of patents issued in Russia for utility models and inventions

**>30%**
of Russia's academics

**38 th place**
**among 500 world cities** in the 2thinknow Smart City Index, +154 places since 2011

## WELL-DEVELOPED REAL ESTATE MARKET

**Moscow's non-residential real estate fund**

**75 thousand** buildings

**200 m sqm** total space

**16.6 m sqm** Moscow's total office space fund, including 4.4 m sqm of class A offices

**10,8%** office space availability

**Average rental for Class A office** (as of 3Q 2019):

**$394 per sqm** per year

**Average rental in technoparks:**

**$165 per sqm per year** office space

**$83 per sqm per year** manufacturing sites

## UTILITIES INFRASTRUCTURE RESERVE CAPACITY

**50%** utility capacity reserve

**4.3 thousand MVA** spare capacity for new power consumers in Moscow





## DEVELOPED TRANSPORT INFRASTRUCTURE

**5 international airports:** Sheremetyevo, Domodedovo, Vnukovo, Zhukovsky, Ostafievo business airport

**Moscow railway hub:**
**2** rings and
**11** radial railways

**3** river ports

**17** federal highways leading out of the city

## HIGH DEVELOPMENT LEVEL OF INFORMATION AND COMMUNICATIONS TECHNOLOGIES

5G testing zone created

**>30 thousand** public Wi-Fi connection points

**$35 per Mbps** average cost of broadband Internet access

**80%** of households have broadband Internet access with an average speed of 20 Mbps

# MOSCOW GOVERNMENT SUPPORT

## Stable budgetary policy

**$38 bn** Moscow budget expenditure in 2019

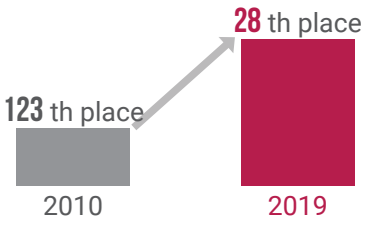
**1.3%** public debt to income

**$151.8 bn** projected expenditure budget of Moscow, 2020-2022

## Active investment policy:

- Creating favourable conditions for attracting investment from various sources
- "One-stop-shop" project-assistance service
- Attracting projects of sectoral leaders and international companies; developing public-private partnership
- Investment-orientated budget: **23%** allocated as investment expenditures
- Tax benefits and reduced ground rent rate offered to investment and priority projects
- Additional guarantees for investors; protection against non-commercial risks

## Quality investment and business climate:




THE WORLD BANK
DOING BUSINESS

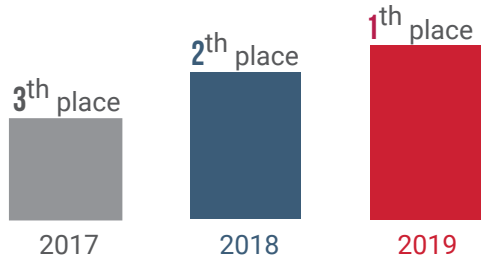
Since 2010, Russia* has gone up 95 places to 28 st place in the World Bank's **Doing Business Ranking.**

* - 70% of Russia's total score depends on Moscow's figures





National Investment Climate Ranking




Recently, Moscow has drastically simplified administrative procedures for starting up and doing business

**Starting a company**

**3** procedures,
**3** business days.

**Registering property**

**1** procedure,
**5** business days.

**Power grid connection:**
70 days and 2 procedures

## Large-scale development programmes

**$40 bn** Targeted Investment Programme (TIP) in 2019-2022

**70%** of TIP expenditures go toward developing the transport infrastructure

**By 2022, Moscow will complete construction of:**

**435 km** of new roads

**41** Metro stations

**100 km** new metro lines

**>200** social infrastructure facilities (schools, outpatient clinics, pools, etc.)

## MOSCOW CENTRAL RING (MCR)

Large-scale Moscow Ring Railway modernisation project. Launch of the Moscow Central Ring (MCR) in September 2016 and its integration into the city's transit system both improved the logistics of passenger transport and attracted private investment into developing industrial areas adjacent to the MCR

**54** km of railways

**31** stations

- Since MCR was put in operation, the passenger flow was nearly **200 million** people
- More than **400 thousand** daily rides on average
  Integration with the city's transit system (Metro, ground transport)
- Transport services for Moscow's industrial areas
- Travel time savings up to **16 min**

## MOSCOW CENTRAL DIAMETERS (MCD)

Project for reconstructing the existing railway lines in Moscow and the Moscow Region and launching diameter routes for suburban trains.

**>$ 6.9 bn**
investment volume
in 2019 - 2024

**650 million trips per year**
planned passenger flow

**5**
diameter routes

**6 minutes**
average interval between trains on the MCD

increase transport accessibility in the Moscow region





## RELOCATION PROGRAMME

MY NEW HOME
Moscow Relocation Standard

The relocation programme is Moscow's largescale infrastructure project for developing the city infrastructure and public spaces, reducing the number of unfit residential buildings, and improving living conditions for residents of five-storey buildings by gradually re-settling them in modern new housing built using state-of-the-art urban standards and approaches.

**Timeframe:**
**2017-2042**

**Investment:**
**>$100 bn**

The relocation programme will be financed from the Moscow treasury. To that end, the Moscow Government has established a Moscow Housing Relocation Fund.

This is a comprehensive programme stimulating development and attracting private investment into various sectors of the city's economy.

### The programme covers:

**5173**
buildings

**350 thousand**
apartments

**>16 m sqm**
Total area

### The programme involves constructing:

**>40 m sqm**
of housing

**2.5 m sqm**
of commercial real estate

**1 m**
Moscow residents will receive new housing

# 3 WHERE TO INVEST?

## Promising investment areas

**THE MOSCOW CITY GOVERNMENT'S KEY GOAL IS TO ATTRACT INDUSTRY LEADERS AND INVESTORS TO THE CITY'S REAL ECONOMY.**

Moscow offers reduced tax rates and other support to investors and industrial developers, as well as investment funds and companies financing projects in the transport and social infrastructure; these measures also apply to public-private partnerships.

### Priority areas for attracting private investment are:

- processing enterprises and knowledge-intensive business
- launching new enterprises in industry and hi-tech
  - manufacturing industrial products
  - establishing industrial complexes
  - establishing technoparks and industrial parks
- investment and innovative projects sited in Moscow's SEZ and technoparks
- localising manufacture of high-demand products under offset contracts
- public-private partnership projects for developing the transport and social infrastructure
- a broad range of investment initiatives in New Moscow (industry, PPP, development, etc.)

# FOR INDUSTRIAL INVESTORS

The goal of the Moscow Government is to attract investment into the economy's real sector, to build new industrial enterprises and innovative infrastructure facilities and to carry out large-scale reconstruction of existing ones.

## Support recipients

### Existing enterprises (Brownfield)

**Benefits that come with the status of an industrial complex, technopark, industrial park, anchor resident of a technopark/industrial park.**

### New projects (Brownfield / Greenfield)

Benefits that come with the **status of a Moscow investment priority project** (investment upward of RUB 300 million).

**Tax benefits:** **17% - 25%** reduction in the overall tax burden, including:

| Industrial complexes | Technoparks<br>Industrial parks<br>Investment priority projects |
|---|---|
| **Profit tax** by **26%**<br>(12.5% instead of 17%) | **Profit tax** by **26%**<br>(12.5% instead of 17%) |
| **Property tax** by **50%** | **Property tax** by **100%** |
| **Land tax** by **80%**<br>(20% of tax charged) | **Land tax** by **99%**<br>(0.7% of tax charged) |
| **Ground rent rate**<br>by up to **80%** | **Ground rent rate**<br>by up to **99%** |





As of the beginning of 2020, support measures for **102 companies** were approved:

**36** **technoparks** **53** **industrial complexes** **13** **anchor residents**

Enterprises receiving support employ **more 110 thousand** people; invested **1.5 bn USD** during the last 5 years

New projects may be implemented **under a special investment contract and agreements with Moscow Government.**

## Additional support measures:

- guarantee of **protection** against non-commercial risks
- possibility of obtaining land plots **without a tender**
- long-term **government** contracts
- **targeted subsidies** (partial reimbursement of business expenditures)
  - for interest on loans for development (up to $ 80 thousand)
  - for launching or expanding manufacturing of R&D-based products (up to $ 318 thousand)
  - for interest on lease payments (up to $ 1.6 m a year)
  - for interest on loans for equipment purchase (up to $ 3.2 m a year)
  - for loans on establishing the property complex of a technopark or industrial park (up to $ 4.8 m)
  - offsetting up to 50% of expenses on utility connections (up to $ 1.6 m per project)
- low-interest loans (2-5% interest rate for up to 5 years, between $0.16 m and 3.2 m)
- sureties not in excess of 70% of the total surety required

# LONG-TERM GOVERNMENT CONTRACT IN EXCHANGE FOR INVESTMENT (OFFSET CONTRACTS)

## Contract terms:

At least
**$16 m**
investment in creation, modernisation, and/or assimilation of production

Up to
**10 years**
Term of contract

**Goods manufactured or supplied:** Russia-made goods

**Supplier/investor:** Russian legal entity

## Advantages for suppliers/investors

### High demand for goods

- the government is a solvent and stable consumer

### Long-term sales guarantee

- The contract is valid for up to **10** years
- In addition: when investment obligations have been met, the contractor will be put on the register of sole suppliers

## Advantages for the public partner:

- **Reduced prices** due to long-term contract
- **Creation, modernisation, and/or assimilation of production:** parameters determined by the customer
- **Import substitution, localisation, increasing** industrial **safety** and independence





## Specifics:

- investment commitment bond: **2–5% of the investment volume**
- supply commitment bond: **not mandatory**, unless an advance payment has been made
- lots may be combined **in pharmaceuticals**
- price indexing: allowed on the basis of a **price formula**

## Priority areas for offset contracts:

- medications and medical equipment
- transport
- equipment for housing and public utilities
- machinery / equipment etc.
- computers and telecommunications equipment

## Statutory regulations

**Article 111.4** of Federal Law 44-FZ “On the contract system in government and municipal procurement of goods, works and services”.

Resolutions of the Government of Russia **No. 1441** of 22 December 2016 (price) and **No. 1166** of 12 November 2016 (planning, tender, price formula, provision).

# INVESTMENT SITES

## Technopolis Moscow Special Economic Zone

R&D and hi-tech product manufactioring.

### SEZ land plots

**207 hectares**
overall area

**5 hectares**
available for construction purposes

### Existing facilities area
(labs, offices, manufacturing space, etc.):

**374.4 thousand sqm**
a site in Technopolis Moscow

**17.7 thousand sqm**
a site in Alabushevo (Zelenograd)

### Free customs zone regime
without paying customs duties and VAT on imported foreign-made materials and equipment

- free utilities connection
- preferential terms for buying out a land plot after facilities are made operational

### Reducing the regional tax burden by 47%:

**0%**
- profit tax
- property tax
- transport tax
- land tax

**21%**
payments into social benefits funds (instead of 30%)*

* – For residents engaged in technology development





## Technoparks and technopolises

Ready-to-use spaces and business infrastructure for implementing projects in R&D and for launching innovative manufacturing.

**36**
technoparks and technopolises

**>$815 m**
investment over 5 years

**>1950**
residents

**>42 thousand**
hi-tech, high-paying jobs

**2.3 m sqm**
building space

**>259 hectares**
of land plots

### Sectoral specialisation:

- information and telecommunication technologies
- microelectronics
- lighting equipment
- advanced materials, composites, coatings
- laser technologies
- biomedical technologies
- pharmaceuticals and medical equipment

### Advantages of Moscow technoparks:

- ready-to-use space for siting projects
- reduced lease rates
- land plots available for construction
- preferential connection to the utilities infrastructure
- access to shared-use facilities (prototyping, certification, etc.)
- access to support measures

## PUBLIC-PRIVATE PARTNERSHIP OPPORTUNITIES

**Building transfer hubs on the transit lines under construction and at existing city railway and metro stations.**

Construction planned on:

**251 transfer hubs**

**101** flatworks
**150** capital structures

- transfer hubs have technological and commercial areas
- the investor constructs all transfer hub facilities and transfers the technological area to the city
- investors recoup their investments through leasing and selling commercial area facilities
- projects are distributed by open tender

**9 m sqm**
total urban development potential of transfer hubs

**>$11.7 bn**
planned investment into transfer hub development

**Private investment in the social infrastructure:** kindergartens, schools, healthcare facilities, and cultural property sites.

**Reduced-rate lease: "RUB 1 per sqm":**

- for opening **educational institutions for children**
- for providing h**ealthcare** (Doctor Nearby programme)
- easing c**ultural heritage sites** to be restored and conserved

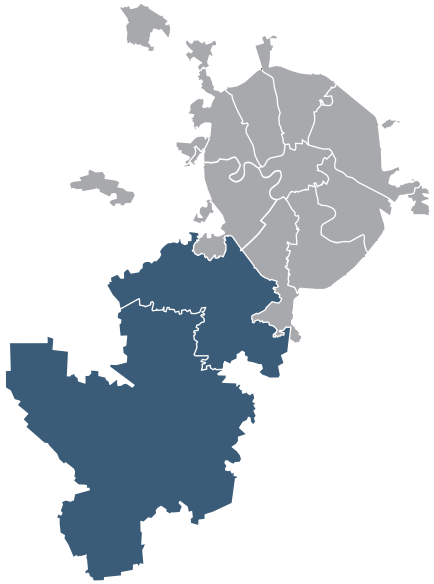




## NEW MOSCOW'S TERRITORIAL DEVELOPMENT POTENTIAL

The key driver of today's Moscow growth is development of the new territories.

**148 thousand hectares**
were included in the territory of Moscow in 2012



Moscow territory prior to 2012

New Moscow territory

### New Moscow means:

opportunities for implementing investment projects in the broadest range of areas from launching innovative manufacturing to constructing facilities of the transport and social infrastructure.

**1.6 m people**
population by 2035

**1 m jobs**
will be created

more than ten large business and economic clusters

**Construction of**
**700 km** of roads,
**65 km** of Metro lines,
**175 km** of tram tracks.

**Reconstruction of**
**453 km** of old roads

# 4 WHO TO CONTACT?

Information resources, development institutions and executive authorities

## investmoscow.info

MOSCOW INVESTMENT PORTAL

### The portal is available in five languages:

English | German | Spanish | Arabic | Chinese

- Entry point for launching a project in Moscow
- The list of investment projects both currently implemented and slated for implementation

### A multi-purpose site for investors running projects or planning to start a business in Moscow:

- current statistics and analytics
- information on starting up and doing business
- government support measures
- industrial and innovative infrastructure

### Access to Moscow's single e-commerce site:

- information on all city property listed for auction (lease, sale, etc.)
- interactive map of lots listed for auction
- tender documentation, tender schedule
- preliminary viewing of lots listed for auction

### Prompt and personalised communication with the Moscow Government :

- investor's account
- direct line