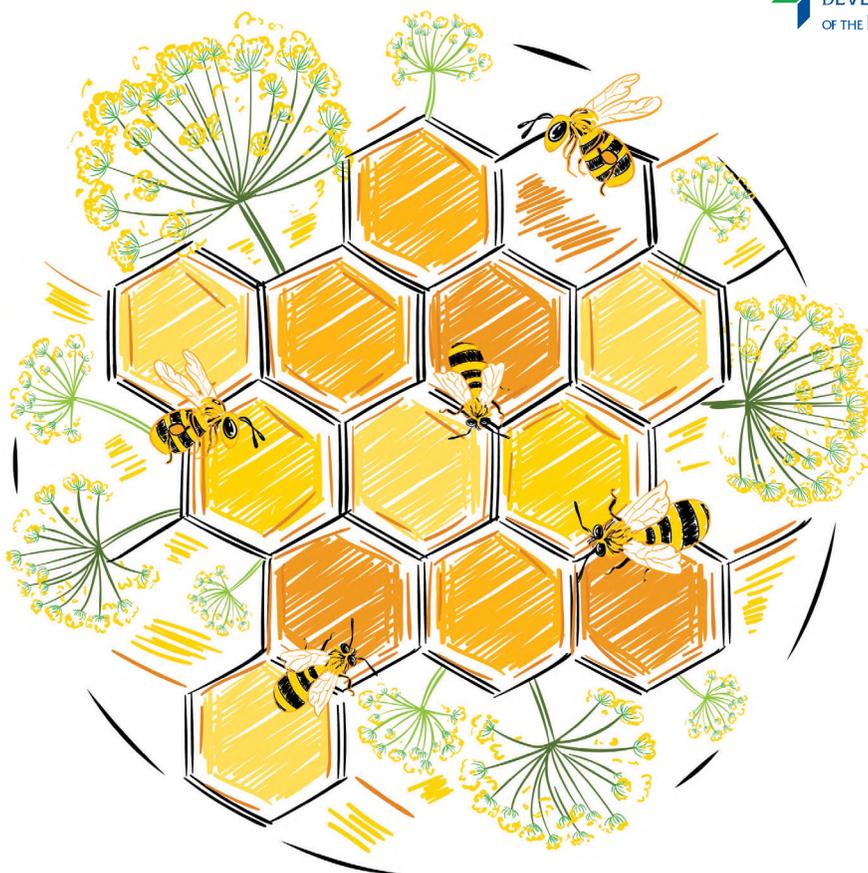


**Deloitte.**



**MINISTRY  
OF ECONOMIC DEVELOPMENT  
OF THE REPUBLIC  
OF BASHKORTOSTAN**

**DEVELOPMENT CORPORATION  
OF THE REPUBLIC OF BASHKORTOSTAN**



# **Investment Guide to the Republic of Bashkortostan**

Ufa 2019

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# Greetings from Radiy Khabirov, Head of the Republic of Bashkortostan

Dear Friends,

Welcome to the Investment Guide to the Republic of Bashkortostan!

Bashkortostan has garnered a reputation as an outstanding Russian region for many reasons. The republic possesses advanced manufacturing and industry, flourishing agriculture, and a robust social welfare system. Bashkortostan's capital, Ufa, is a million-plus city and one of Russia's business and events hubs.

So what can Bashkortostan offer investors? Firstly, there are vast opportunities for business growth. A wide range of options is available for ambitious and dynamic people who are ready to implement their ideas and invest resources in our republic.

Once a branch of the Great Silk Road, Bashkortostan is now at the crossroads of vital transportation corridors, connecting the republic with the rest of the world. This is why the region was chosen as the venue for the Shanghai Cooperation Organization and BRICS summits in 2015, and hosts the annual Small Business Forum of the SCO and BRICS regions

Bashkortostan has launched several high-tech social and economic sustainable development zones that benefit from streamlined administrative regulations, as well as establishing several industrial parks. On top of this, an extensive array of federal programs is in place to encourage investment activity.

I hold meetings with investors on a weekly basis to discuss the views of the business community. The decisions made at Investment Hour meetings help bring project completion dates forward and open up new inclusive opportunities.

We have developed customized approaches for all investors and guarantee the most straightforward business conditions for our partners.

Welcome to our republic!

Best regards,

**Radiy Khabirov**

Head of the Republic of Bashkortostan



# Address by Rail Sarbaev, General Director of the Development Corporation of the Republic of Bashkortostan

Dear friends and partners,

Our region welcomes large-scale projects and ongoing cooperation with Russian and foreign investors.

We are ready to engage in the most ambitious construction, agricultural, healthcare, energy, utility, engineering, technology and energy-efficiency projects.

Bashkortostan's government is intensively building infrastructure to support regional investment. The republic has five territories of priority social and economic development (TPSED), 10 industrial parks, new technology parks and co-working facilities for startups, and a planned special economic zone in Ishimbaysky District. The region has introduced lower tax rates for businesses and amended its laws and regulations to streamline cooperation with investors. This was achieved through tremendous efforts aimed at improving the business and investment climate in the region and aligning the work of all of its development institutions.

The Republic of Bashkortostan offers unique opportunities. On the one hand, it is one of Russia's most developed regions in terms of its socio-economic and technological background. On the other hand, it is a beautiful place with unique natural wonders. With its privileged location between Europe and Asia, robust transport network, abundant natural resources and unspoiled nature,



Bashkortostan presents a wealth of compelling and rewarding investment opportunities.

The Development Corporation of the Republic of Bashkortostan is a government investment vehicle that has won recognition as a helpful and impactful platform, connecting the government and businesses.

We believe that our mission is to deliver end-to-end support for investment projects from concept development to commissioning, and we strive to do everything in our power to make the work of investors in the region as seamless and efficient as possible.

Welcome to Bashkortostan!

Kind regards,

**Rail Sarbaev**

General Director

Development Corporation of the Republic of Bashkortostan



## Foreword from the Managing Partner of Deloitte Ufa, Dmitry Chaban

Dear colleagues,

We are pleased to present the sixth edition of the Investment Guide to the Republic of Bashkortostan, a collaboration between Deloitte CIS, the local Ministry of Economic Development and the regional Development Corporation. This guide will inform you about the development priorities of various regional industries and the government support options available for investors.

Bashkortostan's attractiveness among investors has been rising, with regional fixed investment growth above the Russian average. Creating favorable conditions for doing business in Bashkortostan is a key aspect of the region's economic policy. The government aims to establish an effective support structure for entrepreneurs, launching three business incubators for investors, and expanding state support measures for businesses. Investors can take advantage of preferential land leases or lease state-owned plots without needing to undergo the tender process for regional priority investment projects. Subsidies are also provided as part of the state program for the development and support of small- and medium-sized businesses.

Deloitte supports the regional government's various initiatives to improve the investment climate and promote international cooperation. Deloitte provides audit, consulting, financial advisory, risk management, and tax and legal professional services. Our team is ready to offer advisory support to potential investors at any stage of the project.

This edition provides a summary of the most promising areas for investment and we are confident that it will be an indispensable guide for potential investors.

Best regards,  
**Dmitry Chaban**  
Managing Partner, Deloitte Ufa

# General information about the Republic of Bashkortostan



## Capital:

Ufa  
Population:  
1.1 million  
Rank among  
Russia's cities  
with a population  
of over 1 million  
people cities: 11<sup>th</sup>



## Population of the Republic of Bashkortostan:

4.05 million people  
Proportion of urban  
population: 62.2  
percent  
Population density:  
28.3 people  
per sq. km



## Time zone:

2 hours ahead  
of Moscow



## Official languages:

Russian  
and Bashkir



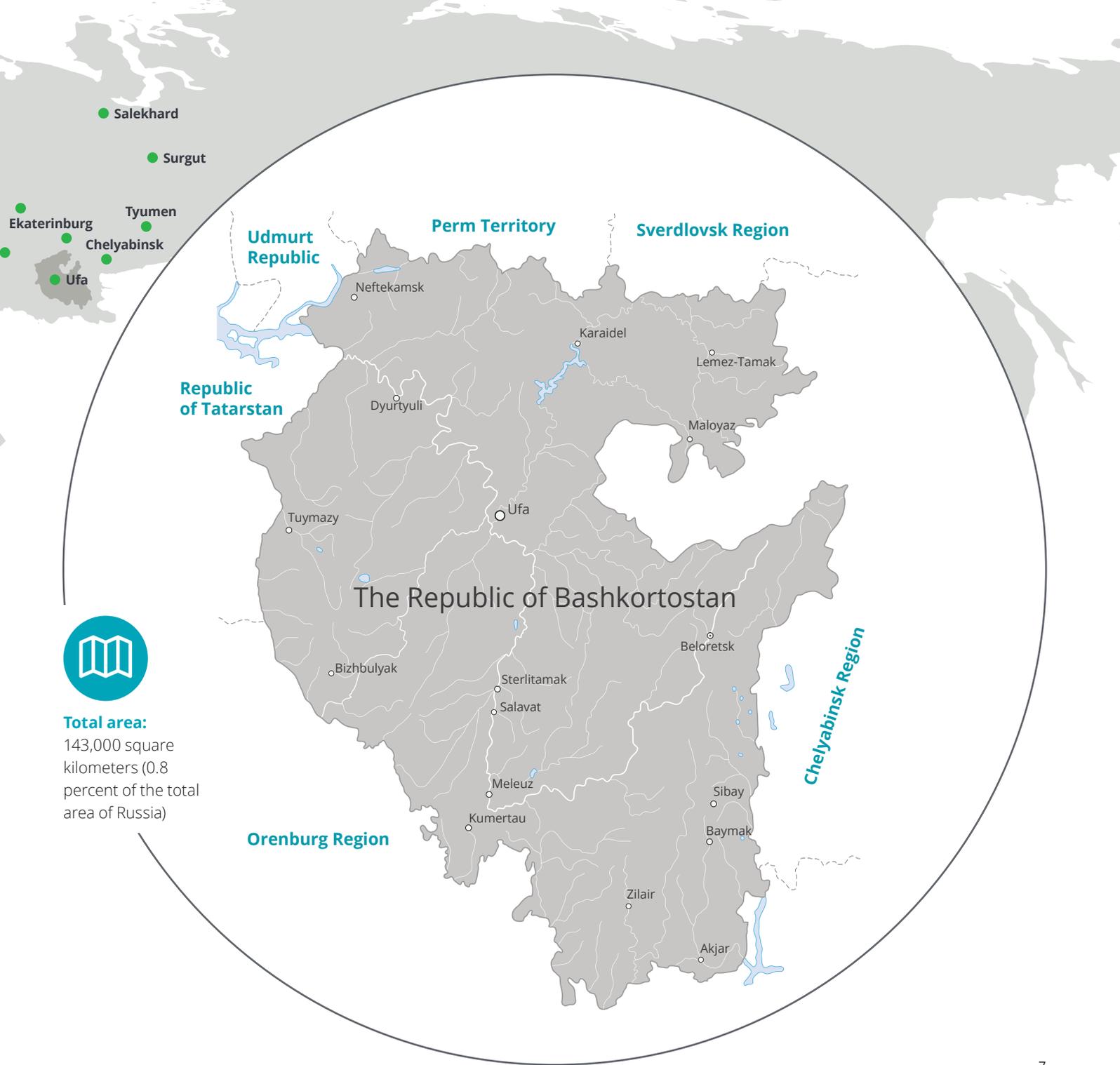
## Ethnic composition:

more than 100  
ethnic groups;  
the predominant  
ethnic groups are  
Russians (36.1  
percent), Bashkirs  
(29.5 percent),  
and Tatars (25.4  
percent).



## Climate:

continental,  
with warm, humid  
summers and  
moderate winters.  
Average  
temperature:  
-16°C in January  
+20°C in July



# Key figures

## Rankings

The region has a multi-industry, highly diversified economy with a focus on manufacturing, construction, transportation and agriculture. The core industries are oil refining, chemicals and petrochemicals, as well as oil production.

Bashkortostan moved up two places in Expert-RA's 2017 investment attractiveness ranking, joining the tier of Russian regions with average potential and minimal risk (2A). \* The ranking placed the republic 11th among all Russian regions. \*\*

In 2018, Fitch Ratings assigned a long-term credit rating to the Republic of Bashkortostan of BBB- with a positive outlook. \*\*\* This investment grade denotes the republic's ability to service its financial obligations on time and reflects the strong budgetary performance achieved through a diversified economy.

The republic's creditworthiness is strengthened by its low debt burden, balanced liquidity policy and a conservative approach to spending. Today, the Republic of Bashkortostan has the same credit rating as the Russian Federation. Expert RA agency assigned Bashkortostan a rating of ruAA+ with a stable outlook. \*\*\*\*

Since 2015, the Republic of Bashkortostan has been implementing a best practices program as part of the National Regional Investment Climate Rating run by the Agency for Strategic Initiatives. It aims to improve the investment climate in Bashkortostan and supports the region's rapid ascent up the National Investment Climate Rating.

The Republic of Bashkortostan guarantees that the rights of all investors will be protected and that the discussion of investment projects will be open and transparent.

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\* [https://raexpert.ru/rankingtable/region\\_climat/2017/tab2](https://raexpert.ru/rankingtable/region_climat/2017/tab2)

\*\* [https://raexpert.ru/rankingtable/region\\_climat/2017/tab3](https://raexpert.ru/rankingtable/region_climat/2017/tab3)

\*\*\* <https://www.fitchratings.com/site/pr/10054329>

\*\*\*\* <https://raexpert.ru/database/regions/bash>

## Investment Development of the Republic of Bashkortostan

National rating



**267.8**  
RUB billion  
Total investment  
in 2018



**2<sup>nd</sup>**  
place  
Volga  
Federal  
District

### Bashkortostan priority investment projects

	Number of projects	Investment, RUB billion	Jobs, '000
<b>Total as of 1 April 2019*</b>	100	263.2	19
<b>Total as of 1 January 2018</b>	78	394.9	18.2
<b>2017 (actual)</b>	8	4.9	2.1

\* Source: [www.economy.bashkortostan.ru](http://www.economy.bashkortostan.ru).

## Economic indicators\*

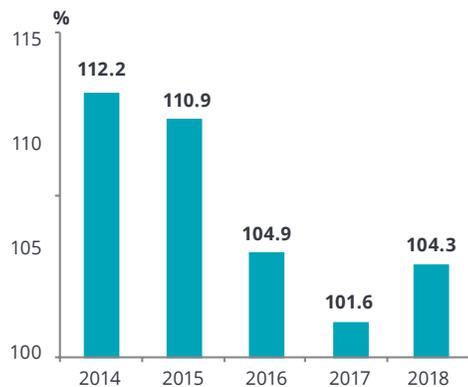
### Industrial production index



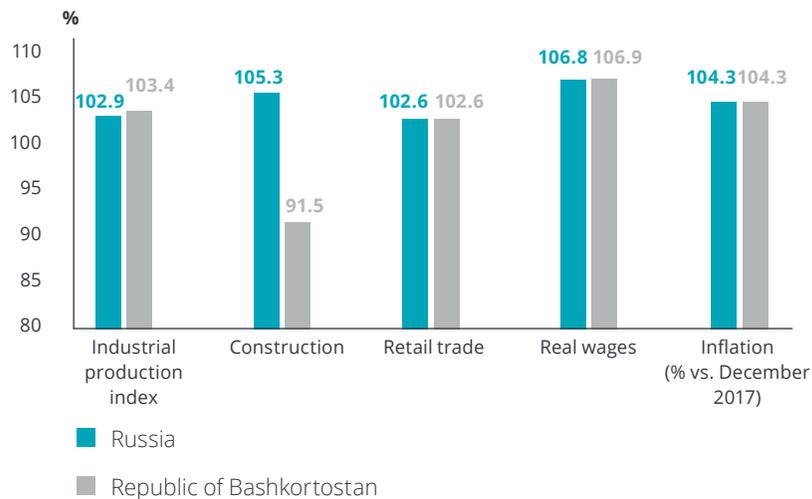
### Agricultural production index



### Consumer price growth index



### Social and economic development of Russia and Bashkortostan in 2018



\*Data provided by the Federal State Statistics Service of the Republic of Bashkortostan.

## Export

<b>Export breakdown by product, USD million</b> (top 15 positions)	<b>2018</b>
Turbo-jet engines and gas turbines	645.7
Oil	253.6
Cyclic hydrocarbons	154.4
Carbonates	113.1
Synthetic rubber	112.8
Nitrogen fertilizers	101.7
Aromatic hydrocarbons	92.9
Other monocarboxylic acids and their derivatives	79.3
Chipboard	63
Plain steel wire	42
Polyvinyl chloride	31.9
Caustic soda and potassium hydroxide	27.8
Aluminium and aluminium alloys	10.4
Non-classified products	9.4
Oil products	2.1

<b>Non-energy and non-commodity exports, USD million</b> (top 25 positions)	<b>2018</b>
Turbo-jet engines and gas turbines	645.7
Cyclic hydrocarbons	154.4
Carbonates	113.1
Synthetic rubber	112.8
Nitrogen fertilizers	101.7
Other monocarboxylic acids and their derivatives	79.3
Chipboard	63
Plain steel wire	42
Polished glass	36.4
Plain steel wire rod	35.1
Acylic alcohols	33
Polyvinyl chloride	31.9
Phenols	30.1
Caustic soda and potassium hydroxide	27.8
Fluid-flow pumps	18.8
Barley	16.9
Steel cables, ropes and similar products	12.7
Glass containers	10.9
Aluminium and aluminium alloys	10.4
Non-classified products	9.4
Timber	8.6
Polyethylene	2.8
Ketones, quinones and their derivatives	1.1
Plywood	0.8
Mineral processing equipment	0.03

<b>Exports by region</b>	<b>2018 USD million</b>	<b>2017 USD million</b>	<b>Share of exports, %</b>	<b>Growth, USD million (vs. 2017)</b>	<b>Growth, % (vs. 2017)</b>
CIS	1,226.7	1,118.1	28.2	108.6	109.7%
Europe	2,405.4	2,393.1	55.2	12.3	100.5%
APAC	628.4	675.9	14.4	-47.5	93
Middle East and Africa	150.3	137.7	3.5	12.6	109
Americas	66.1	42.4	1.5	23.7	155.8
Traders and offshores	14.8	9.1	0.3	5.7	162.6

<b>Non-energy and non-commodity exports</b>	<b>2018 USD million</b>	<b>2017 USD million</b>	<b>Share of exports, %</b>	<b>Growth, USD million (vs. 2017)</b>	<b>Growth, % (vs. 2017)</b>
CIS	541	542.9	28.9	-1.9	99.6
Europe	502.2	490.4	11.5	11.8	102.4
APAC	492.8	642.1	11.3	-149.3	76.7
Middle East and Africa	150.6	132.9	8.1	17.7	113.3
Americas	30.9	24.7	1.65	6.15	124.8
Traders and offshores	11.7	5.9	0.6	5.8	198.3

<b>New partners for non-energy and non-commodity exports</b> (top eight positions)	<b>Exports, USD million</b>
Denmark	2.70
Honduras	2.44
Guatemala	0.30
Philippines	0.29
Lebanon	0.10
Myanmar	0.06
New Zealand	0.04
Panama	0.03

<b>New products for non-energy and non-commodity exports</b> (top nine positions)	<b>Exports, USD million</b>
Rapeseed oil	2.90
Copper wire	2.26
Safety glass	0.12
Cotton fabrics (>200 GSM)	0.12
Plastic and rubber additives	0.06
Antibiotics	0.06
Inert gases (e.g. argon)	0.01
Synthetic fibers	0.01
Aluminium tanks (>300 litres)	0.01

<b>Exports by country</b> (top 15 positions)	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>Growth in 2017-2018</b>	
	<b>USD million</b>	<b>Share of exports, %</b>	<b>USD million</b>	<b>Growth, USD million</b>	<b>Growth, %</b>
Latvia		20.4	889.3	-18.4	-2
China	546.7	9.6	419	-127.7	-23.3
Netherlands	426.4	5	218.1	-208.3	-48.8
Kazakhstan	354.8	7.3	315.8	-39	-10.9
Belarus	351.8	13.6	592.3	240.5	68.4
India	172.4	5.7	246.9	74.5	43.2
Finland	160.1	5.2	228.2	68.1	42.5
Turkey	148.1	5.4	233.8	85.7	57.8
Germany	93	3	128.5	35.5	38.2
Ukraine	85.1	2.7	117.3	32.2	37.8
Poland	68.5	2.1	89.7	21.2	30.9
Algeria	62.8	2	87.5	24.7	39.3
France	19.9	1.7	72.9	53	266.3
USA	42.4	1.5	66.1	23.7	55.9
Uzbekistan	54.1	1.4	63.9	9.8	18.1

<b>Non-energy and non-commodity exports by country, 2018</b> (top 15 positions)	<b>USD million, 2018</b>	<b>Share of exports, %</b>	<b>USD million, 2017</b>	<b>Growth, USD million (vs. 2017)</b>	<b>Growth, % (vs. 2017)</b>
China	407.69	21.8	540.72	-133.03	75.4
India	245.08	13.1	169.10	75.98	144.9
Kazakhstan	239.22	12.8	239.43	-0.21	99.9
Finland	160.53	8.6	111.36	49.17	144.2
Turkey	94.45	5.04	60.13	34.35	157.1
Belarus	88.36	4.8	101.82	-13.46	86.7
Algeria	78.60	4.2	60.86	17.74	129.1
Uzbekistan	63.02	3.4	53.77	9.25	117.2
Ukraine	57.46	3.07	80.68	-23.22	71.2
Lithuania	46.82	2.5	47.40	-0.6	98.7
USA	30.87	1.64	24.72	6.15	124.8
Germany	28.71	1.53	45.87	-17.16	62.6
Netherlands	26.02	1.39	21.84	4.18	119.1
Azerbaijan	25.59	1.36	17.28	8.31	148.1
Kyrgyzstan	25.51	1.35	16.07	9.44	158.7

# Investment potential

## 1

### Geography

The Republic of Bashkortostan is located in the Southern Urals, on the border between Europe and Asia, in the basins of the Volga, Ural and Ob rivers. The republic is part of the Volga Federal District.

The Republic of Bashkortostan borders highly developed Perm Territory and Sverdlovsk Region to the north (around 340 km and over 170 km, respectively), Chelyabinsk Region to the east (over 1,330 km), Orenburg Region to the south and south-west (around 1,140 km) and the Republic of Tatarstan and the Udmurt Republic to the west and north-west (around 420 km and 100 km, respectively).

Two thirds of the republic are covered by hilly valleys, one fourth by mountains (Southern Urals), and over one tenth by hilly terrain (Bashkir Trans-Urals).

There are four temperate zones: mixed forest, broad-leaved forest, forest-steppe and steppe.

## 2

### Forest resources

**5.7 million hectares**, or 40 percent of the total area, is covered by forests;

**768.3 million cubic meters** of growing forest stock: birch, oak, maple and conifer trees are prevalent in regional forests;

**69.6 percent** of the total volume of wood stocks listed in forests are classified as exploitable;

**99.7 percent** of Bashkortostan's forest-forming species are birch, lime tree, pine, aspen, fir tree, oak, etc.

The republic is home to Russia's largest expanse of lime trees; limes have the largest nectar capacity, which is useful for beekeeping and producing Bashkortostan's world-famous honey.

The republic is the **No. 4 producer** of chipboard in Russia (and the **No. 1 producer** in the Volga Federal District).

Key growth areas are advanced woodworking and the creation of new enterprises for processing low-grade wood and timber waste.



## 3

### Water resources

Average annual renewable water resources comprise:

- Water coming from neighboring regions (Perm Territory, Chelyabinsk, Sverdlovsk and Orenburg Regions and the Republic of Tatarstan): 9.5 billion cubic meters
- Water resources from within the republic: 25.5 billion cubic meters.

Water supply per person: 8,750 cubic meters per annum (24 cubic meters per day).

The republic has more than 13,000 rivers and 2,000 lakes.

Water availability is ensured through the regulation of river flows via 443 reservoirs and ponds, 119 of which have a volume of more than 1 million cubic meters.

## 4

### Mineral resources

Bashkortostan is rich in minerals, with more than 60 types in around 3,500 mineral deposits, including 250 oil fields.

In 2018, the republic increased its mineral extraction index to 109.4 percent from 100.1 percent in 2017.

According to Bashkortostan's Ministry of Economic Development, the republic retained its role as a leading Russian center of resource extraction in 2018, ranking **second** in oil refining and **ninth** in oil production.

\* Bashkortostan is the only producer of concrete pump trucks in Russia.

\*\* Russian Federal Statistics Service (The Report on Social and Economic Situation in Russia in 2018).

The republic covers more than 14 million hectares. There are gray forest soils (along the right bank of the Belaya River, below the Sim River), soddy-podzolic soils (northern Bashkortostan), black soils (on the left bank of the Belaya River and in the Bashkir Trans-Urals Region), and mountain soils.

## 5

### Industrial production

Bashkortostan's industrial production index reached 103.4 percent in 2018. The republic's industrial production includes mining, manufacturing, as well as the generation and distribution of electricity, gas and water. The manufacturing sector accounts for 75 percent of industrial products shipped and mechanical engineering sector contributes approximately 13 percent.

The republic is one of Russia's leading oil refiners.

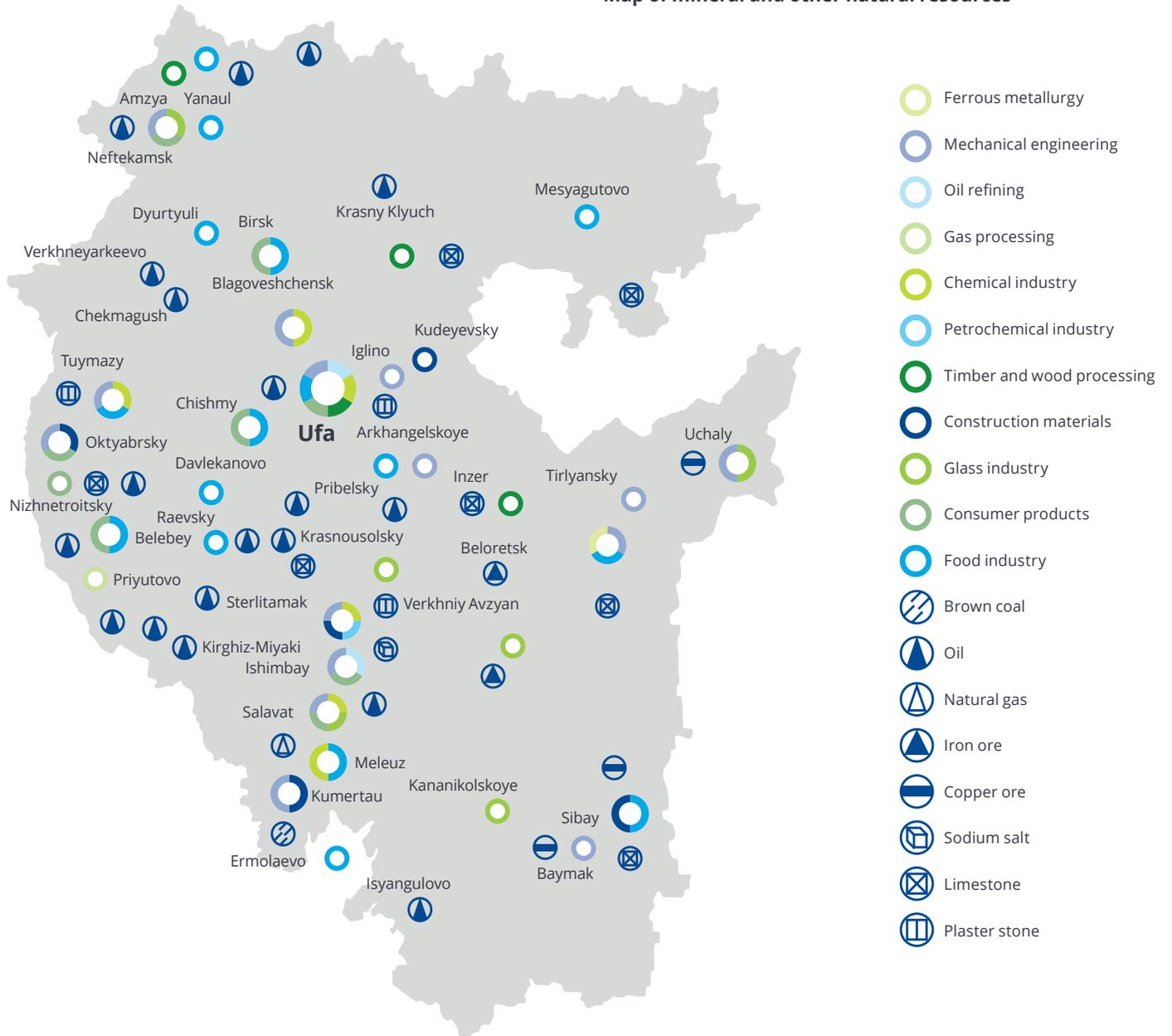
Bashkortostan's domestic rankings for the production of certain types of industrial products:

- **No. 1 producer** of sodium carbonate, mobile concrete pumps\*, thermally polished glass plates, trailers and semi-trailers (max. weight 3.5-10 tonnes), inflatable boats for sport and leisure, hydraulic and pneumatic (air) engines;
- **No. 2 producer** of industrial kilns and chambers, hydraulic lime, coiled wire, ropes and straps, hoists and lifting equipment;
- **No. 3 producer** of cold-drawn non-alloy steel wire and non-fireproof ceramic brick;
- **No. 4 producer** of buses.

Bashkortostan's manufacturing production index reached 100.5 percent in 2018, which is a 2.5 percent increase compared to 2017.

In 2018, Bashkortostan produced and shipped products and services in the Manufacturing Production economic category worth RUB 1.3 trillion (up 19.1 percent compared to 2017) making the republic the **No. 3 producer** in the Volga Federal District\*\*

### Map of mineral and other natural resources



## Priority sectors for development

### 1. Extraction and processing of natural resources

The Republic of Bashkortostan is one of the Russia's oldest oil-producing regions, accounting for 2.9 percent of national oil production, including gas condensate. It ranks **ninth** among Russian regions for oil production volumes and **second** for oil refining.

Bashkortostan is the leading producer of light oil products in the country: it is the **No. 1 producer** of diesel fuel and **No. 2 producer** of petrol.

The oil conversion ratio is 85.5 percent compared to the Russian average of 82.2 percent.

In 2018, Bashkortostan produced and shipped products and services in the Mineral Resource Production economic category worth RUB 275.84 billion (up 20.1 percent compared to 2017) making the republic the No.4 producer of mineral resources in the Volga Federal District.\*\*

Increasing the oil conversion ratio, improving the quality of fuel produced and ensuring the environmental safety of production are the key growth areas for this industry.

### 2. Chemicals and petrochemicals industry

Russia's largest manufacturing complex for organic and non-organic chemical products is located in Bashkortostan.

The region is one of Russia's leading producers of the following chemicals products:

- **No. 1 producer** of sodium carbonate and benzene;
- **No. 2 producer** of plastics in primary forms, silica gels, ethylene, xylene, styrene, synthetic rubbers, and hydraulic lime;
- **No. 3 producer** of technical, gas-derived sulfur;
- **No. 4 producer** of caustic soda.

The fine chemical industry is the main growth area for this sector.

### 3. Automotive sector

The Republic of Bashkortostan is the **No. 1 producer** of trailers and semi-trailers with technical permissible maximum towable mass of 3.5-10 tonnes (with a 69.6 percent share of the Russian market).

The republic boasts a commanding share of the Russian market for recreational craft (60.6 percent), linear hydraulic and pneumatic motors (33.0 percent), as well as electric lights (31.6 percent).

The region is the **No. 2 producer** of vehicle bodies, pulley blocks, hoist winches, industrial furnaces and cabinets and the third biggest manufacturer of civil helicopters.



### Agriculture

The region is one of Russia's seven biggest agricultural producers. A total of 1.53 million people live in rural areas, over 37.8 percent of Bashkortostan's population.

The republic's agricultural land totals:

**7.3 million hectares** of farmland;

**3.6 million hectares** of ploughed land.

The republic is a leading Russian region for key indicators of agricultural production:

#### Largest producer:

Beef (186,300 tonnes);  
Kumis (fermented dairy product) (3,200 tonnes);  
Commercial honey (5,400 tonnes).

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\* Bashkortostan is the only producer of concrete pump trucks in Russia.

\*\* Russian Federal Statistics Service (The Report on Social and Economic Situation in Russia in 2018).

**Third largest producer:**

Greenhouse vegetables (86,800 tonnes);  
Horse livestock (112,000 head);

**Fourth largest producer:**

Potatoes (869,000 tonnes);

**Ninth largest producer:**

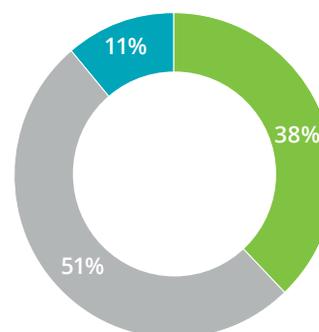
Sheep and goat livestock (774,000 head);

**Tenth largest producer:**

Cattle and poultry for slaughter (400,100 tonnes live weight).

Bashkortostan ranks **second** in the Volga Federal District for cattle population (975,200 head), milk production (1,613,700 tonnes) and pig population; **third** for the production of grains, grain legumes, and sugar beet; **fourth** for vegetables; **fifth** for sunflowers and **sixth** for eggs.

The strong performance and vast lands available to the region's agricultural sector create opportunities for food storage and processing projects (canning factories, Class A warehouses with washing and packing facilities, hide processing plants, etc.).

**Gross product mix**

- Agricultural enterprises
- Household enterprises
- Peasant (farm) enterprises

**Principal agricultural products: grains, sugar beet, oil crops, vegetables, fodder, meat, and dairy.**

	2005	2010	2016	2017	2018	2018 vs. 2017, %
Gross output value, RUB billion	60.4	88.6	168.8	171.8	152.2	88.6
Food production index, %	106	96.3	103.3	105.0	97.9	- 7.1 p.p.
<b>Production output, '000 tonnes:</b>						
milk	2,083.4	2,078.1	1,730.8	1,718.4	1,623.9	94.5
meat	381.6	467.1	397.4	410.2	400.1	97.54
<b>Total harvest volume, '000 tonnes:</b>						
grains	2,884	781	3,324	3,783	3,059	80.7
sugar beet	1,176	377	1,362	1,594	1,426	89.5
sunflower	126	51	225	274	324	118.2
vegetables and potatoes	1,501	663	1,439	1,346	1,165	86.6

## **Agricultural sector development priorities up to 2020**

### **Crop farming**

- grains;
- sugar beet production and processing;
- field and greenhouse vegetables;
- oil crops.

### **Animal farming**

- dairy cattle breeding;
- increasing commercial milk production;
- increasing production of cattle, poultry, pork and eggs.

### **Food and processing industry:**

- cereal production, pastry and pasta products;
- dairy and meat products, semi-finished products;
- cheese and cheese products;
- honey and hive products.

### **Measures planned:**

- Introducing new grain farming technologies, improving the fodder base and boosting production of oilseeds;
- Developing the production of highly-nutritious feed;
- Building plants to store and process agricultural produce, fruit and vegetables, as well as food canning facilities;
- Manufacturing products with medicinal and preventive properties, as well as baby food.



# 7

## Transportation

The Republic of Bashkortostan lies at the crossroads of Europe and Asia, where the most important waterways, railways, pipelines and highways that connect the European part of Russia with the Urals, Siberia and Central Asia intersect.

Bashkortostan has multiple advantages in transportation and logistics, which facilitates the import and export of raw materials, fuel and finished goods, and the development of economic ties with other countries:

- The Trans-Siberian railway passes through Bashkortostan and connects Central Russia with Siberia, the Far East and Central Asia.
- Bashkortostan has access to five seas (Caspian, Azov, Black, Baltic and White) via the Belaya, Kama, and Volga rivers. The town of Agidel serves as an inland port.
- The M5 Ural and M7 Volga highways, as well as P-240 Ufa-Orenburg road pass through Bashkortostan.

Bashkortostan has the ninth longest toll-free hard-surface road network of Russia's regions and the longest road network in the Volga Federal District.

Ufa International Airport was the first regional airport in Russia to achieve compliance with ISAGO Standards (IATA Safety Audit for Ground Operations). Its runways are suitable for large cargo and passenger aircrafts including Boeing 747, Boeing 777, as well as wide-body aircrafts.

General information about Ufa International Airport:

- passenger traffic: up to 2.3 million people per year;
- total capacity: 800 passengers per hour;
- number of runways: 2

For three years running (2016-2018), Ufa International Airport has won the National Aviation Infrastructure Show (NAIS) and the Federal Air Transport Agency's "Airway Gates of Russia" Award for the best international airport with less than 4 million passengers per year. The winners are decided by a panel of experts and passengers via online voting.

Ratings agency AviaPort also gave Ufa International Airport four out of five stars in 2015 for the quality of its terminal infrastructure and passenger services.

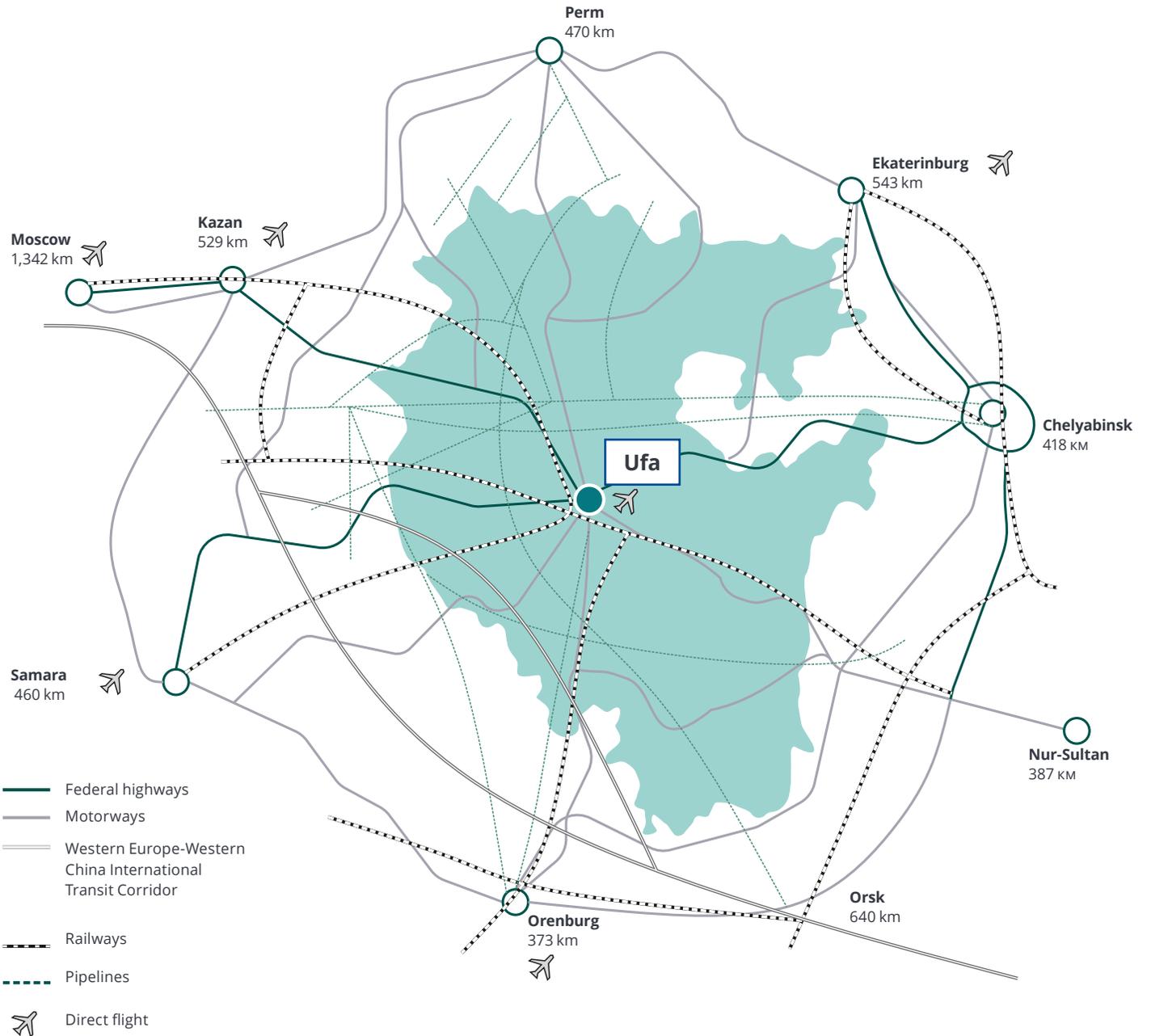
The Republic of Bashkortostan has a railway network of more than 3,000 kilometers

Rail freight traffic: over 30 million tonnes per year.

Rail passenger traffic: over 5 million people per year.

Transport network development outlook:

- The Ufa-Orenburg road will be connected to the Western Europe-Western China international transport corridor (Silk Road) in 2020.
- The Eastern Exit tunnel will connect Ufa to the M5 Ural Highway (the largest BOT project in Russia).



## 8

### Retail market

An advantageous geographic location, developed transport infrastructure, stable economic situation and high population density create a favorable environment for doing business in Bashkortostan.

The region has a population of more than 4 million people. There are six cities of over one million people within a 500-kilometer radius of the capital. Population density is 28.3 people per square kilometer (compared to the national average of 8.3 people per square kilometer).

In 2018, retail sales totaled RUB 879.5 billion, or a 2.6 percent increase on 2017 in comparable prices.

The republic is historically listed in the top ten Russian regions in terms of absolute retail turnover (eighth place in 2018), and is among the top in the Volga Federal District.

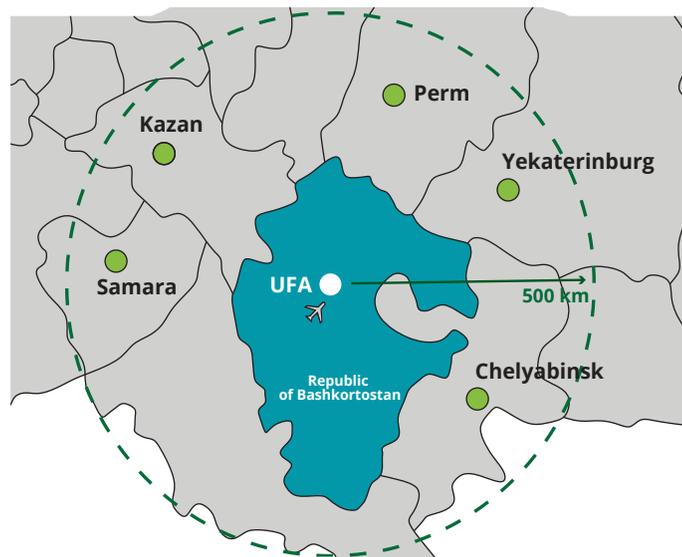
A total of 454 retail trade facilities opened in Bashkortostan in 2018, including 51 retail markets (36 agriculture produce markets, 13 multipurpose markets, and two specialized markets).

In absolute terms, food product sales reached RUB 433.8 billion (up 2.6 percent compared to 2017), while non-food product sales totaled RUB 445.7 billion (also up 2.6 percent compared to 2017).

Public catering turnover totaled RUB 29.78 billion in 2018, a 0.4 percent rise on 2017 in comparable prices.

In 2018, the paid services market increased 0.2 percent year-on-year to RUB 261.4 billion.\*

Wholesale trade turnover increased 2.7 percent to RUB 653.85 billion.\*



\* The Russian Federal Statistics Service (The Report on Social and Economic Situation in Russia in 2018).

## 9

## Tourism

Rich water resources, diverse and unique flora and fauna, stunning natural landscapes, protected conservation zones, as well as historical, cultural and natural monuments of national and international importance provide investors with extensive opportunities to develop the region's tourism and recreation industry.

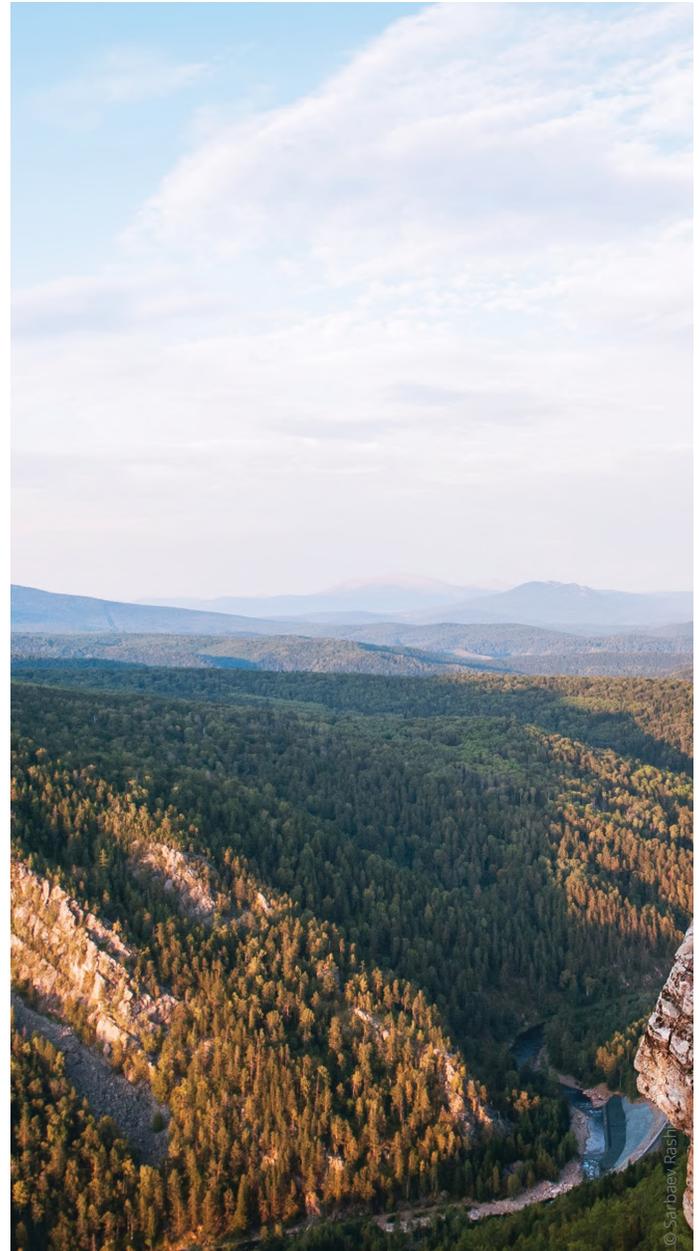
Bashkortostan is one of Russia's most popular destinations for health and medical tourism, as well as a major center for alpine sports and skiing (Olympic Park, Abzakovo, Ak-Yort, Arsky Kamen, Assy- Tau, Kandry-Kul, Kush-Tau, Mratkino, Pavlovsky Park, etc.).

There are about 300 karst caves, 13,000 rivers, 2,000 lakes, mountain ranges, three national parks, more than 3,000 historical, artistic, cultural and archaeological monuments, and more than 60 sanatorium-resort centers (Zelenaya Roscha, Krasnousolski, Yumatovo, Yakty-Kul, Yangan-Tau, Talkas, Assy, Tanyp, Yubileyniy, Karagai, Ai, etc.).

#### **Bashkortostan tourist attractions:**

- picturesque natural scenery;
- cultural heritage (Lake Kandrykul and Shulgan-Tash nature reserve, which are part of the Bashkir Ural biosphere reserve);
- well-developed transport infrastructure.

The region offers a wide range of accommodation options, including international hotel chains (Holiday Inn, Hilton Garden Inn, Hampton, Crowne Plaza) and local hotels (Iremel, Azimut, Bashkiria, Tan, AMAKS Hotels & Resorts, President Hotel).





### **Bashkortostan's tourism rankings**

- No. 2 in the Volga Federal District; No. 7 in Russia by the volume of hospitality services (hotels and similar facilities) (RUB 6.1 billion, unchanged from 2017);
- No. 1 in the Volga Federal District; No. 6 in Russia by the volume of spa and sanatorium services (RUB 4.7 billion, down 6.8% compared to 2017);
- No. 2 in the Volga Federal District and No. 6 in Russian by the volume of tourism services (RUB 5.9 billion up 3.3 percent compared to 2017).

### **Tourism development priorities:**

- ecotourism and extreme sports (horse riding, hiking, snowmobile riding, rafting);
- further developing more traditional recreational and health activities and winter sports;
- increasing investment in the hospitality industry and healthcare.

## 10 Finance

The Republic of Bashkortostan has a well-developed local banking network:

- three regional credit institutions;
- fifteen branches of banks from other regions.\*

In 10M 2018, banks operating in Bashkortostan issued 271,000 credit cards (up 6.8 percent on 2017). Loans to individuals and legal entities/entrepreneurs totaled RUB 289.9 billion and RUB 425.8 billion respectively at the end of 2018.



## 11 Science

Bashkortostan has one of the most developed higher education systems in Russia. There are about 25 institutions in the region covering a wide spectrum of disciplines, including Ufa State Petroleum Technological University (the main higher education institution), Ufa State Aviation Technical University, Bashkir State University, Bashkir State Medical University, M. Akmullah Bashkir State Pedagogical University (the leading university for humanities, specializing in promoting Russian language in Shanghai Cooperation Organization member states).

The republic has 74 research and development institutes. More than eight thousand people are employed in the science and research industry, and approximately half of them are researchers. More than 60 percent of scientists in Bashkortostan are specialists in engineering sciences. New technologies developed by Bashkortostan's research institutes and centers are already being used in the petroleum, refining and petrochemical industries, as well as in medicine, engineering and agriculture.

Ufa Science Center of the Russian Academy of Science and technoparks established with the support of the republic's universities play an important role in scientific and technical development. These institutions specialize in fields such as oil and gas, chemicals, IT, ecology and geology.

\* Central Bank data as at 1 March 2019.

# Investor incentives

The Republic of Bashkortostan is making considerable efforts to improve the local business climate.

The Public Council for the Improvement of the Investment Climate, headed by the President of Bashkortostan, was created in order to encourage investment activity and attract financing to the region, as well as establishing an operational standard for local government aimed at improving the investment climate.

The Project Office was established to swiftly resolve any issues and queries of the business community arising from investment and business activities, and to implement best practices across the board to create a favorable business environment, in line with Bashkortostan's goals for the National Regional Investment Climate Ranking.

The Public Council meets twice a week and the Project Office has weekly meetings. Proposals put forward by businessmen are put onto the agendas and discussed at both meetings.

Decisions on new investment projects in the region are taken at Investment Hour meetings. Radiy Khabirov holds weekly investor meetings where major market players can put forward investment proposals and secure support from the government. Decisions made at Investment Hour meetings allow investors to reduce the project lead time and increase viability.

The republic has an effective investment support framework in place. Investors can use three business incubators: Business Support Center, Regional Integrated Center – Republic of Bashkortostan and Bashkortostan Social Innovation Center.

There are seven technology parks, 10 industrial parks, three technology transfer centers, the Bashkortostan Venture Fund, 22 start-ups at higher educational and scientific organizations, three shared knowledge centers, two prototyping centers, and the Bashkortostan Regional Engineering Center.

For information about available capacities and gas and power grid connection points, visit the Bashkortostan Investment Portal: <http://map.bashkortostan.ru/>.

Information about the region's available investment sites and investment proposals can be found on the website of the Development Corporation of the Republic of Bashkortostan: <http://kr-rb.ru/>.

SMEs are particularly welcome:

- government-funded financial support initiatives;
- investment infrastructure;
- quality road networks and telecommunication services;
- availability of business-focused real estate and lease procedures.

# Development institution

## Development Corporation of the Republic of Bashkortostan



Photo provided by Roscongress Foundation



The Development Corporation of the Republic of Bashkortostan serves as the regional development institution.\*

The corporation provides integrated support for local projects: from investment intent to commissioning.

It offers a whole range of full-scope/targeted project support

\* Established by Order of the President of Bashkortostan No. UP-730 dated 20 December 2010.

\*\* The Regulation was approved by Bashkortostan government resolution No. 490 dated 16 November 2016.

services, including business plan preparation and ongoing project maintenance in liaison with regional government agencies, all the way to the approval stage.

The procedure for interaction between investors, regional government agencies, and the Corporation throughout an investment project is defined by the One Stop Shop Regulation (approved by Bashkortostan Government Resolution No. 490 dated 16 November 2016).

Investment projects are supported by a specialized organization over the course of the project and until the completion of the investment phase. This includes:

- a) providing advice to investors regarding the implementation of investment projects;
- b) educating investors about investment opportunities and the investment potential of the republic as a whole, as well as specific cities;
- c) establishing interaction between investors, local, federal and regional government agencies, local governments and organizations dealing with preparatory, conciliation and licensing procedures during investment projects;
- d) assisting in the search for potential partners for investment projects;
- e) establishing relationships between investors and non-governmental investment support institutions;
- f) arranging negotiations, meetings, conferences and consultations to resolve issues arising during investment projects;
- g) assisting in the selection of investment sites suitable for specific investment projects.

In addition to the services indicated in the Regulation, the Corporation also offers construction supervisory services and technical client services (industrial construction, transport and engineering infrastructure projects in Bashkortostan), including the construction of railways, highways, power, gas, and water networks, etc.

**Pre-project phase services:**

- surveys of the future construction site to assess architectural, legal, engineering and environmental risks;
- assistance with the allocation of land plots;
- help obtaining preliminary permits;
- preparation of SOW for survey, design and general contract work;
- assistance with contracts for engineering surveys, project documentation and general contractor services.

**Design phase services:**

- interaction with design institutes during the preparation of project documentation;
- support during the expert review of project documentation to accelerate the project;
- assistance with obtaining building permits;
- preparation of the document set for work requests (where necessary) to reduce project costs.

**Construction phase services:**

- comprehensive supervision throughout the construction process;
- assistance with obtaining commissioning permits.

**Legal services:**

- legal advice: document review, issuing an opinion on regulatory compliance with due regard for existing court practice;
- due diligence: legal due diligence of documents, company audits;
- legal advice on investments: comprehensive legal support for investment projects, including foreign investment;
- incorporation of legal entities with foreign investment: preparation of all required documents, communicating changes to the tax authorities;
- representation in court: comprehensive litigation support, professional protection of investors' interests in Bashkortostan and other regions;
- subscription legal services: end-to-end support with all legal matters;
- debt collection: pre-trial recovery through negotiation/support with enforcement proceedings;
- private partnership: preparation, development and maintenance of draft public-private and public-local partnerships (including liaison with government agencies).

## Investment in Bashkortostan in 2018

**RUB 249.9**  
billion  
The total amount invested  
in supported projects

+50%  
vs. 2017

**8.700**  
The number  
of jobs created

**103**  
The number of supported  
projects

+47%  
vs. 2017

**31**  
The number of projects on  
Bashkortostan's priority  
investment project list

+158%  
vs. 2017

**7**  
The number of projects  
on Bashkortostan priority  
investment project register

+250%  
vs. 2017

**2**  
The number of projects granted  
the status of territories of  
priority social and economic  
development (TPSED)

**RUB 179.8**  
million  
The total amount invested  
in TPSED projects

+715%  
vs. 2017

**7**  
The number of investment  
projects supported within  
public/municipal private  
partnership concessions

+133%  
vs. 2017



# Industrial parks

## Industrial parks

Bashkortostan has created special zones for new industrial enterprises (industrial parks).

An industrial park is a group of properties managed by a single operator (management company) and comprising land plot(s) with industrial, administrative, warehousing and other facilities, power units, utilities and transport infrastructure, and offering the necessary administrative and legal conditions for industrial enterprises.

An industrial park hosts several independent businesses across one or multiple industries.

The Republic of Bashkortostan has 10 industrial parks.

## Advantages of industrial parks:

- accelerated project launch;
- availability of necessary permits, project, legal and other documentation;
- well-developed, readily accessible infrastructure;
- opportunity to engage in a JV/second line business;
- services of the management company.



**SEZ, Technology parks, industrial parks, clusters and territories of priority social and economic development (TPSED) in the Republic of Bashkortostan**

-  Existing industrial parks (brownfield)
-  Existing industrial parks (greenfield)
-  Territories of priority social and economic development (TPSED)
-  Technology parks
-  Clusters
-  Special economic zone
- 4** Number of parks, if more than one at the location



## Industrial parks

			Year of establishment	Number of residents	Total area*
	<b>A special economic zone (SEZ)</b>	Ishimbai and Sterlitamak District	2019	7	468 hectares
	<b>Ufimsky Industrial Park</b>	Ufa District	2013	11	298.5 hectares
	<b>Agidel Industrial Park</b>	Agidel	2010	4	32 hectares
	<b>The Center for Agricultural Technologies Industrial Park</b>	Chishminsky District	2019	4	62 hectares
	<b>Prikamye Industrial Park</b>	Neftekamsk	2010	19	72435,1 square meters
	<b>Promcenter Industrial Park</b>	Ufa	2014	16	12 hectares
	<b>GlavBashStroy Industrial Park</b>	Ufa District	2014	8	56.9 hectares
	<b>Veles Industrial Park</b>	Sterlitamak	2015	24	8.3 hectares
	<b>BashInvest Industrial Park</b>	Ufa	2016	-	10,646 square meters
	<b>BelKam Industrial Park</b>	Neftekamsk	2019	17	44,5 hectares
	<b>Nizhegorodskij Industrial Park</b>	Ufa District	2019	-	82,6 hectares
	<b>Blagoveshchensky Industrial Park</b>	Blagoveshchensk	2019	2	10000 square meters
	<b>Neftekamsky Industrial Park</b>	Neftekamsk	2019	2	28 hectares

-  Universal
-  Production of petrochemicals
-  Advanced woodworking
-  Woodworking
-  Manufacturing
-  Production of construction materials
-  Heavy machinery and metalworking
-  Greenfield, agro-industrial operations



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\* Hectares are used to indicate the total area of a land plot; square meters are used to indicate the total area of the facilities.

## Monocities and TPSED

Bashkortostan has set up special economic zones that offer residents certain tax benefits and simplified administrative procedures.

On 29 December 2016, the Russian Government issued a resolution assigning TPSED status to the cities of Belebei and Kumertau. On 12 February 2019, the Russian Government issued Resolutions No. 121, 127, and 129 stipulating the launch of TPSEDs in Blagoveshchensk, Neftekamsk, and Beloretsk.

## Territories of priority social and economic development (TPSED)

Companies included in the register of TPSED residents receive special preferences and benefits.

## Tax benefits for TPSED residents

<b>Income tax</b>		
Federal budget: 0% (first five years)		Regional budget:*
		5% (first five years) 10% (in the following five years)
<b>Social security contributions (10 years)</b>		
6% (Pension Fund)	1.5% (Social Security Fund)	0.1% (Obligatory Medical Insurance Fund)
<b>Mineral extraction tax</b>		
		0% (first 24 years); 0.2% (years 25-48); 0.4% (years 49-72); 0.6% (years 73-96); 0.8% (years 97-120); 1% in subsequent years.
<b>VAT</b>		
TPSED residents can receive accelerated VAT refunds (if applied for).		
<b>Simplified Tax System</b>		
TPSED residents that make use of the simplified tax system can receive a tax rate reduction of between 6% to 2% for the taxable item "income" and between 15% to 5% for the taxable item "income with costs deducted".		
<b>Regional tax benefits</b>		
Property tax relief*		Land tax relief**

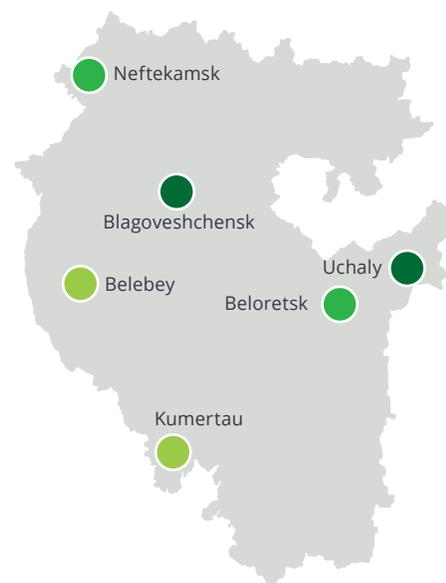
\* The respective regional laws were passed by the Bashkortostan State Assembly on 22 February 2017.

\*\* Set by the municipality.

### Six monocities (single-industry municipalities)

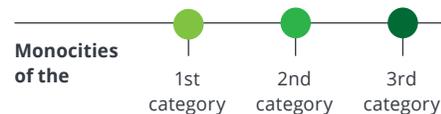
In accordance with Russian Government Resolution No. 1398-r of 29 July 2014, monocity status was granted to the following cities:

- Belebei and Kumertau (Category 1);
- Neftekamsk and Beloretsk (Category 2);
- Uchaly and Blagoveshchensk (Category 3).



### Support offered by the Monocity Development Fund:

- 1 construction (or reconstruction) of infrastructure for investment projects in monocities;
- 2 issuance of low-interest loans to investment projects in monocities;



## Technology parks

Technology parks are designed to encourage and manage knowledge sharing between universities, research institutions, businesses and markets. A technology park simplifies the creation and development of innovative companies through business incubators and spin-off processes.

			<b>Management Company</b>
AO Bashkir Scientific Research Institute of Petroleum Refining	<a href="http://www.inhp.ru/">http://www.inhp.ru/</a>	Ufa	AO Oil and Petrochemical Refining Institute of the Republic of Bashkortostan
NPA Aviation Technology Park	<a href="http://technopark-at.ru/">http://technopark-at.ru/</a>	Ufa	NPA Aviation Technology Park Members of the Association: PAO ODK UMPO, FGBOU VO UGATU, AO UfaAvia-Gaz, AO BETO, OOO AviaPromLeasine
Ecoline Technology Park	<a href="http://ecoline-himprom.com/">http://ecoline-himprom.com/</a>	Meleuz	OOO Ecoline
Medtehnika Technology Park	<a href="http://www.ormed.ru/">http://www.ormed.ru/</a>	Ufa	OOO Research and Development Enterprise Orbita
Ufa Aviation Institute Self-Sustaining Creative Center Technology Park	<a href="http://rosoil.ru/">http://rosoil.ru/</a>	Ufa	OOO Ufa Aviation Institute Self-Sustaining Creative Center
Bashkiria Technology Park	<a href="mailto:technoparkmgutu@mail.ru">technoparkmgutu@mail.ru</a>	Meleuz	OOO Meleuz Milk Canning Plant
Inmash Technology Park	<a href="http://inmash.org/">http://inmash.org/</a>	Sterlitamak	OOO KIT STAR

A **cluster** is a group of related businesses concentrated in a certain area

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### Innovative infrastructure facilities

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Radioelectronic Cluster	<a href="https://cpt-rek.bashkortostan.ru/">https://cpt-rek.bashkortostan.ru/</a>	Ufa	<p><b>Center for creating production prototypes for radioelectronics equipment:</b></p> <ul style="list-style-type: none"> <li>Laboratory for online technology and robotics</li> <li>Laboratory for communication network testing</li> <li>Laboratory for protective covering and electronics equipment testing</li> <li>Laboratory for project development</li> <li>Laboratory for electronic equipment design and modeling</li> <li>Laboratory for creating production prototypes for microelectronics</li> <li>Training workshops</li> <li>Testing and experimental production facility</li> </ul>
Low-Tonnage Petroleum Chemistry Cluster	<a href="mailto:inhp@inhp.ru">inhp@inhp.ru</a>	Ufa	<p><b>Center for creating production prototypes for petrochemicals:</b></p> <ul style="list-style-type: none"> <li>Spectrochemical analysis</li> <li>Element analysis of non-organic and organic petrochemical products</li> <li>Chromatographic research methods</li> <li>Thermal research methods</li> <li>X-ray research methods</li> <li>Cloud designing</li> </ul>
Biotechnology Cluster	<a href="mailto:nitig@anrb.ru">nitig@anrb.ru</a>	Ufa	<p><b>Regional engineering center:</b></p> <ul style="list-style-type: none"> <li>Fungi unit</li> <li>Unit for product recovery and purification</li> <li>Spore unit</li> <li>Normal microflora unit</li> <li>Pathogenic flora unit</li> <li>Final product unit (mixing and packing)</li> </ul>

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# State support for investors

## Public-private partnership

Bashkortostan's Ministry of Economic Development is authorized to implement state investment policy through public-private partnerships (PPP).

The agencies responsible for reviewing PPP proposals in various economic segments include the respective industry regulators in Bashkortostan.

The Development Corporation of the Republic of Bashkortostan provides support to public-private partnerships and investment projects implemented in concession agreements with the regional government.

In 2018, Bashkortostan ranked **fourth** among all Russian regions in the PPP maturity rating (rising one position from the previous year).

Bashkortostan is implementing 34 concession agreement project worth a total of RUB 36.9 billion.

The main areas of PPP/concession development include:

- transportation infrastructure, including public transportation;
- public utilities infrastructure (only under concession agreements);
- healthcare;
- education, culture, sports, tourism;
- social welfare;
- environmentally-friendly infrastructure (solid waste treatment, recycling and waste disposal).

	2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
<b>PPP ranking*</b>	51	16	11	11	7	5	4

\* According to ANO National PPP Development Center data.



### **Government support initiatives for investors implementing PPP projects**

On 28 November 2003, Law No. 43-z “On Corporate Property” was approved by the Republic of Bashkortostan, introducing a zero percent property tax rate for investors entering into a PPP or concession agreement with the regional government.

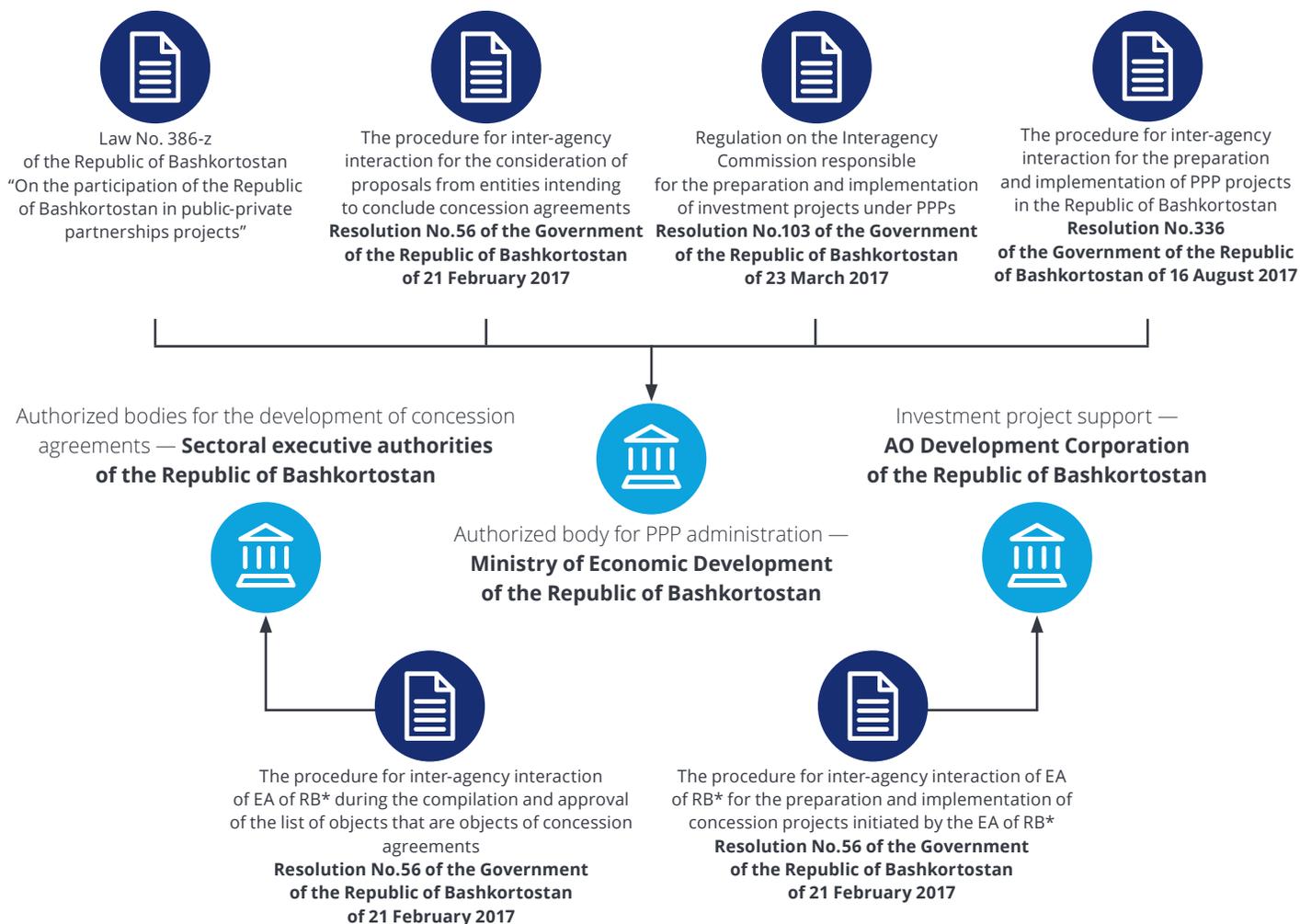
The republic is working in three main areas to support the development of PPPs:

- regulatory support;

- development of the institutional environment;
- information and methodological support.

Potential areas for the application of PPPs in Bashkortostan include:

- tourism;
- IT (information technology, software, databases or IT facilities).



\* EA of RB — Executive authorities of the Republic of Bashkortostan.

\*\* CA – concession agreement.

## Government support initiatives for capital investments

### 1 Tax incentives

#### Corporate profit tax relief

The CPT rate for priority investment projects and fixed investments in production facilities has been reduced to 13.5 percent and will be lowered to 12.5 percent in 2017-2020. The relief period depends on the amount invested:

- RUB 100 million - RUB 1.5 billion: three years
- RUB 1.5 billion - RUB 5 billion: five years;
- over RUB 5 billion: ten years;
- RUB 10 million to RUB 1.5 billion (for investors engaged in investment projects in municipal entities of the Republic of Bashkortostan that are listed on the integrated economic or social and economic development programs for municipalities approved by the Bashkortostan Government): three years.\*
- The CPT rate for entities participating in regional investment projects listed in the Regional Investment Project Participant Registry is set at 10 percent for investors implementing high priority investment projects in Bashkortostan municipalities covered by the integrated social and economic development roadmap list approved by the Bashkortostan Government).

Capital investments should not be lower than:

01. RUB 50 million: for capital investments with a three-year horizon, starting from inclusion in the registry of organizations engaged in investment projects in municipal entities of the Republic of Bashkortostan that are listed on the integrated economic or social and economic development programs for municipalities approved by the Bashkortostan Government;

02. RUB 100 million: for capital investments with a three-year horizon, starting from inclusion in the registry;

03. RUB 100 million: for capital investments with a five-year horizon, starting from inclusion in the registry.

#### Corporate property tax relief

Organizations engaged in priority investment projects are exempted from CPT on properties acquired in the first three years of the project (five years for investments exceeding RUB 5 billion), depending on the amount invested:

- RUB 100 million - RUB 1.5 billion: three years;
- RUB 1.5 billion - RUB 5 billion: five years;
- Over RUB 5 billion: for ten tax periods;
- RUB 10 million to RUB 1.5 billion (for investors engaged in investment projects in municipal entities of the Republic of Bashkortostan that are listed on the integrated economic or social and economic development programs for municipalities approved by the Bashkortostan Government): three years.

### 2 Land and property support

Information on the facilities available for lease is posted on the investment roadmap of the Republic of Bashkortostan.

Preferential lease rates for SMEs (small- and medium-sized businesses):

- 40 percent of the total annual lease amount (in the first year);
- 60 percent (in the second year);
- 80 percent (in the third year);
- 100 percent (in the fourth and subsequent years).

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\* CPT rates reduced by the laws of Russian regions before 1 January 2018 are applicable until 1 January 2023. Reduced CPT rates can be increased in accordance with the laws of the Russian Federation during 2019-2022.

Preferential lease rates apply to priority investment projects in the Republic of Bashkortostan: the reduction factor remains at 0.6 for five years, or until all project construction stages are completed.

Simplified (no tender) lease arrangements for lands owned by the republic or municipalities, and land plots with undefined state ownership apply in the following cases:

01. Listed priority investment projects in Bashkortostan with 50 percent of financing sources confirmed;
02. Investment projects involving social, cultural or public utilities (provided the project owner assumes their obligations to fulfill the social commitments stipulated in the government programs of the Republic of Bashkortostan).

### **3. Collateral**

The Collateral Fund provides support for Bashkortostan's priority and significant investment projects.

Eligibility:

- total collateral value does not exceed RUB 500 million;
- the use of only one facility as a collateral under the loan agreement;
- the Borrower should provide at least 50 percent of the collateral, subject to the consent of the Strategic Committee if collateral exceeds RUB 100 million.

Pledging facilities of the Collateral Fund shall be subject to the guarantee and counter-guarantee of the Borrower's obligations in the form of equity stakes (shares) in the Borrower or Guarantor's charter capital, belonging to participants (shareholders) of the Borrower or Guarantor, or other assets.

Pledging facilities of the Collateral Fund is conditional on the obligation of the Borrower to release the facilities of the Collateral Fund by replacing them with pledges of real estate built by the Borrower as part of the investment project, as and when construction phases are completed.

Decisions on pledging facilities of the Collateral Fund are made by the government of Bashkortostan.

### **4. The government program for agricultural development and agricultural, commodity and food market regulation in 2013-2020**

As part of the government program for agricultural development and agricultural, commodity and food market regulation in 2013-2020, subsidies are granted for the following purposes:

- acquisition of chemicals;
- interest payments on investment loans issued after 1 January 2017;
- interest payments on investment loans issued before 1 January 2017;
- acquisition of agricultural machinery and equipment;
- interest payments on loans issued by Russian lending institutions with the aim of developing aquaculture (fisheries) and sturgeon farming;
- acquisition of fish farming equipment, compound feed, and fish seed;
- acquisition of dairy cattle young breeders;
- productivity enhancement for dairy cattle breeding;

- compensation for damages resulting from natural disasters;
- soil fertility improvements;
- decoupled support for crop producers;
- support for selected animal and crop farming sub-industries, payment of insurance premiums in the animal and crop farming segments;
- interest payments on loans issued to SMEs by Russian lending institutions;
- reimbursement of losses related to production launch (grants to new farmers, family-run animal farms and agricultural consumer cooperatives);
- development of agricultural consumer cooperatives;
- partial reimbursement of costs arising from interest payments on short-term loans issued after 1 January 2017;
- partial reimbursement of direct costs incurred on the launch/upgrade of agro-industrial facilities;
- preferential loans.

## Contacts

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Fax: +7 (347) 218 05 99

[mcx@bashkortostan.ru](mailto:mcx@bashkortostan.ru)

[www.agriculture.bashkortostan.ru](http://www.agriculture.bashkortostan.ru)

**5. As part of the government program to develop and support SMEs in Bashkortostan (in accordance with Resolution of Bashkortostan Government No. 548 of 14 November 2018 “On the State Program to Develop and Support SMEs in the Republic of Bashkortostan”), subsidies are granted to municipal entities and monocities (on a tender basis) for the following purposes:**

Co-financing of municipal programs:

- subsidies at the initial stages of business development;
- subsidies covering part of leasing payments;
- subsidies to SMEs (small business entities), providing support services to government and municipal authorities.
- subsidies to fund part of the planned expenses of SMEs and infrastructure organizations for the establishment and/or development of "co-working centers."

Co-financing for monocity programs:

- subsidies covering part of leasing payments;
- support for social entrepreneurship.

**Partial reimbursement of the expenses incurred by infrastructure development organizations for the implementation of SME and social entrepreneurship support projects in the Republic of Bashkortostan (on a tender basis):**

- support is granted to organizations included in the Registry of Organizations Engaged in SME/SE Infrastructure Development Entities;
- support will only be provided for projects to develop SMEs in Bashkortostan;
- subsidy amount will not exceed 90% of the projected cost, or RUB 500,000 per project.

## Contacts

The State Committee for Business and Tourism of the Republic of Bashkortostan

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# Funds

## 1. Regional Fund

The fund aims to support priority investment projects and attract investment in Bashkortostan's priority industries.

The work undertaken by the fund includes:

- managing the state investment resources of Bashkortostan;
- investing in companies that create new jobs in the republic and make products using new technologies or provide innovative services;
- financing investment projects by issuing loans, leasing out equipment, and making portfolio and direct investments.

The funds provides financial support via:

- loans (up to RUB 2 billion);
- participation in the capital of the project company (from 33 to 49 percent of the charter capital of a limited liability company and from 25 to 49 percent of the charter capital of a joint-stock company);
- provision of loan collateral (up to RUB 2 billion).

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reg\_fond@mail.ru  
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## 2. Industry Development Fund

The Industry Development Fund was established with the objective of modernizing industrial production in Russia, encouraging new industrial facilities and promoting import substitution.

The fund offers preferential project co-financing terms to develop new high-tech products, support technical upgrades and create new competitive enterprises based on the best technologies available.

The fund provides targeted loans of RUB 50 to 750 million at a rate of 1-5 percent per annum for up to 7 years for new industrial projects, directly investing into the real sector of the economy.

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frp@frprf.ru  
www.frprf.ru

### 3. Bashkortostan Industry Development Fund

The fund was set up in 2017 to provide preferential financial support to enterprises implementing industrial projects. The fund provides loans ranging from RUB 5-100 million at a low interest rate of between 1-5 percent per annum (depending on the maturity, availability of a bank guarantee, and the country of origin of the acquired equipment).

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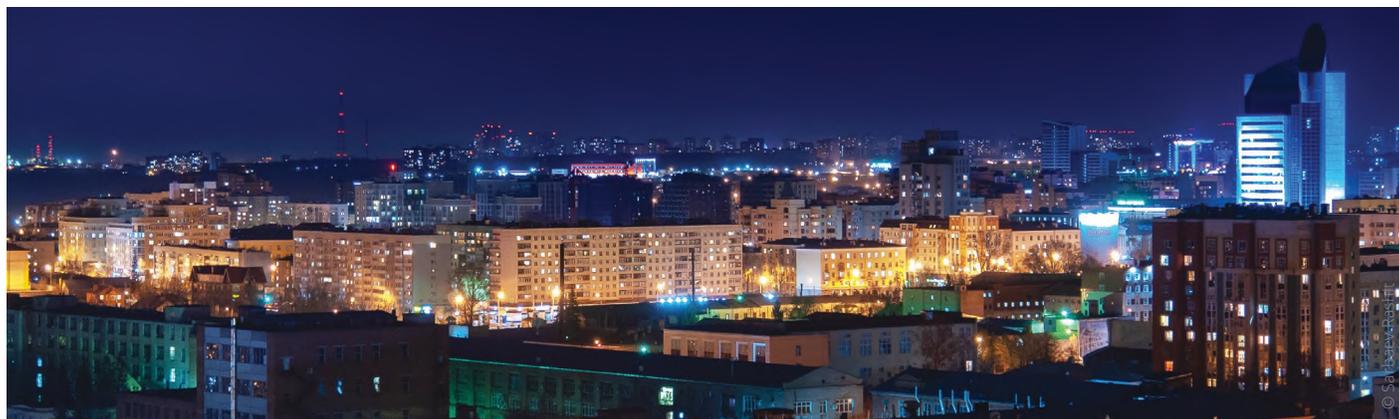
### 4. MSP Bank

Established in 1999, the bank provides loans to SME companies from RUB 1 million to RUB 1 billion at a rate of 8.9-10.6 percent per annum.

MSP Bank is accredited to provide low-interest loans to agricultural enterprises as part of the respective programs of the Russian Agriculture and Economic Development ministries. Lending can be provided on preferential terms depending on the financing products available and subject to compliance with the requirements of the above-mentioned programs.

#### Contacts

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info@mspbank.ru  
www.mspbank.ru



## 5. Bashkortostan Regional Leasing Company

Bashkortostan Regional Leasing Company was set up in October 2017 by MSP Corporation and the Republic of Bashkortostan.

The company offers preferential leasing terms to individual and small enterprises that are planning to set up, expand or modernize production via the acquisition of new Russian and/or imported equipment.

The list of priority operations eligible for low-interest lending includes high-tech manufacturing products (including for processing and storing agricultural produce) with export potential.

The amount of financing for SME equipment acquisition ranges from RUB 3 million to RUB 200 million at 6 percent (Russian equipment) or 8 percent (foreign-made equipment). The first installment should be no less than 15 percent of the loan.

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www.rlcrb.ru

## 6. Rosagroleasing

AO Rosagroleasing is state-owned leasing company set up in 2001 to facilitate the technical and technological modernization of the Russian agroindustrial sector in accordance with objectives set by the Russian Government.

Rosagroleasing aims to achieve the targets set in the State Program for Agriculture Development and Regulation of Product, Commodities and Food Markets for 2013-2020, as well as the Russian Federation Food Security Doctrine.

Rosagroleasing leases agricultural machinery, trailers, attachments, units and equipment for animal farming, processing and high-yield cattle breeds.

A financial lease is provided for 10 years with an interest rate of up to 3.5 percent. The first installment should be no less than 15 percent.

### Contacts

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Moscow 125124  
Tel./Fax: +7 (800) 200 5395  
info@rosagroleasing.ru  
www.rosagroleasing.ru

## 7.SME Development and Support Fund of the Republic of Bashkortostan

The fund was set up on 12 July 1999 in accordance with Decree No. UP-455 of the President of the Republic of Bashkortostan.

Focus areas:

- implementing state support measures as part of the Development and Support of SMEs in the Republic of Bashkortostan program;
- providing advisory and educational services;
- setting up a hot line for businesses;
- supporting the operations of the Center for Business Support of the Republic of Bashkortostan;
- providing financial support to small businesses;
- issuing guarantees using the Guarantee Fund;
- leasing property, plant and equipment;
- extending loans using the Investment Initiative Fund.

The fund supports SMEs by:

- Issuing guarantees using the financial resources of the Guarantee Fund (jointly with partner banks). The guarantee cannot exceed 70 percent of the borrower's obligation principal amount. The maximum guarantee is RUB 25 million.
- Leasing property, plant and equipment. Leased items include industrial and technical equipment, specialty equipment, vehicles (except for cars and motorcycles) costing up to RUB 5 million. The lease term is 5 years. The interest rate is half of the CBR's key rate. The first installment should be no less than 10 percent.
- Loans of RUB 0.1-0.5 million are provided by the Investment Initiative Support Fund on a tender basis. The lending period is up to three years and the interest rate is less than two thirds of the CBR's key rate.

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fond-mb@mail.ru  
www.fondmb.ru

## 8. Russian Direct Investment Fund (RDIF)

The Russian Direct Investment Fund is an investment fund created to attract foreign investment to the leading companies in the fastest growing sectors of the Russian economy.

Goals:

- make profitable investments;
- attract direct foreign investment to the Russian economy.

Core objectives:

- ensure an inflow of foreign investment;
- maximize return on invested capital;
- facilitate the modernization of the Russian economy;
- attract the world's best technologies and professionals to Russia;
- ensure transparent fund management.

RDIF acts as a co-investor and partner for international direct investment funds, sovereign funds and the largest strategic investors making direct investments in Russian companies. RDIF shares risks with its co-investors while striving to achieve encouraging results.

The co-investment mechanism:

- RDIF can only invest if there is a co-investor/a group of co-investors whose share in the investment is equal to or greater than that of RDIF;
- the co-investor must manage assets worth more than USD 1 billion, have market capitalization of more than USD 1 billion, or a turnover of more than USD 1 billion and EBITDA of more than USD 150 million;

- a transaction may be initiated both by RDIF and the co-investor;
- when implementing any project, RDIF and the co-investor conclude a joint investment agreement to determine project management principles.

The investment process:

- RDIF's investment process conforms to international direct investment standards;
- the target deal amount is between USD 50 million to USD 500 million equity investment (RDIF share);
- up to 50 percent interest in the company;
- expected exit from investment: five to seven years;
- infrastructural projects implemented from scratch (greenfield) may have a longer exit period.

On 16 May 2012, Bashkortostan Government, Russian Direct Investment Fund and Agency for Strategic Initiatives (ASI) signed a cooperation agreement.

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Fax: +7 (495) 644 34 13  
[www.rdif.ru](http://www.rdif.ru)

## 9. Fund for Assistance to Small Innovative Enterprises (FASIE)

The Fund for Assistance to Small Innovative Enterprises is a state-owned non-profit organization established as a federally funded institution.

Core objectives:

- implementing government policy to develop and support R&D activities;
- creating and developing a support infrastructure;
- assisting in the creation of new jobs to ensure the effective use of Russia's scientific and technical potential;
- providing financial, informational and other assistance;
- engaging young people in innovation;
- attracting non-budgetary investments to small innovative enterprises.

FASIE provides grants up to RUB 25 million for scientific research, R&D, and the commercialization of R&D output. Some programs require non-budgetary co-financing involving independent or investor funds totaling 30-100 percent of the grant amount.

### Contacts

3rd Obydenskiy Lane, Building 5  
Moscow 119034  
Tel./Fax: +7 (495) 231 19 06  
info@fasie.ru  
www.fasie.ru

## 10. AO VEB Infrastructura (AO InfraVEB)

The objective of AO VEB Infrastructura (AO InfraVEB) is to prepare development projects for implementation without using budgetary investments.

AO InfraVEB focuses on projects targeting social, transportation, public utilities and energy infrastructure, as well as government administration infrastructure and the development of land for public infrastructure and social/economic development.

AO InfraVEB

- offers investment consulting services to government authorities on the preparation of projects;
- provides debt financing for investment projects;
- solicits investors to finance projects at the preparation stage.

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www.fcpf.ru

## 11. Monocity Development Fund

Goals:

- to create new jobs in socially- and economically-challenged monocities (other than jobs at the backbone enterprise);
- to attract investments to monocities through infrastructural and investment projects.

Core objectives:

- assembling and training monocity development project teams;
- helping prepare and participating in new investment projects in monocities;
- serving as the PMO for investment projects in monocities.

The Fund offers the following support:

01. Subsidizing expenses incurred when launching facilities for individual entrepreneurs and legal entities as part of investment projects in monocities (up to 95 percent of the total amount per facility);
02. Providing low-interest loans for investment projects in monocities: RUB 10 million-1 billion at 0 percent per annum (for loans up to RUB 250 million) or at 5 percent per annum (for loans over RUB 250 million), with up to a 15 year stay of payments for loans maturing within three years. Initiators are required to contribute at least 20 percent of the project financing.

Requirements for the project and the initiator (borrower):

- no overdue debt to the budget and other funds;
- no dependence on monocities (financial, administrative, infrastructural etc.);
- demonstrating a social and economic impact on monocities in terms of investment and job creation.

Limitations:

- the Fund's participation in the project should not exceed 80 percent of the project's total value;
- the Fund's financial resources can only be used for capital investment;
- the Fund must enter into a general agreement with the a subject of the Russian Federation.

## Contacts

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 2 Entuziastov Boulevard  
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[info@monogorodarf.ru](mailto:info@monogorodarf.ru)  
[www.frmrus.ru](http://www.frmrus.ru)

## 12. Federal Corporation for SME Development

The SME Corporation's objectives:

- to extend support to SMEs and organizations engaged in developing the SME support infrastructure;
- to attract financial resources from Russian and international organizations to extend support to SMEs;
- to provide information, marketing, financial and legal support for investment projects implemented by SMEs;
- to provide financial support for SMEs by engaging available lending resources of at least RUB 3 million at 9.6 percent (for priority economy sectors) or at 10.6 percent (in other industries).

### Contacts

4 Slavyanskaya Square, Building 1  
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Tel.: +7 (495) 698 98 00  
info@corpmsp.ru  
www.corpmsp.ru

## 13. Microcredit small business company of the Republic of Bashkortostan

Established to provide access for small businesses in Bashkortostan to financial resources via micro-financing and other forms of support in accordance with state programs/sub-programs in the Russian Federation.

Micro-financing loans total RUB 3 million at 7.5-10 percent per annum. The loan maturity is three years.

### Contacts

82 Chernysevskogo Street  
Ufa 450076  
Tel.: +7 (347) 246-20-50  
mfo@centerrb.ru  
www.centerrb.ru

## 14. The Russian Foundation for Technological Development (RFTD)

The Russian Foundation for Technological Development provides financial support to scientific and technology projects, and experimental projects that are related to the Fund's technology platforms. The projects are selected on a tender basis. Enterprises that initiate or conduct technology projects that involve significant R&D efforts are eligible to participate in the tenders.

The winner of the tender is awarded a special-purpose interest free loan:

- The loan is provided to finance R&D for technology development projects.
- The loan ranges from RUB 10 million to RUB 300 million and should not exceed the borrower's NAV.
- The loan's maturity can be up to 60 months with a repayment period of 37-60 months.

The applicant organizations should have sufficient resources to pay for the Foundation's services (0.75 percent of the loan amount) on a quarterly basis.

The RFTD closely cooperates with GK Vnesheconombank, OAO MSP-Bank and other development institutions in order to provide sustainable financing to SME projects and implement major integration projects involving significant efforts to develop innovative products.

## Contacts

31 A Leningradskiy Prospect, Building 1  
Moscow 125284  
rftr@rftr.ru  
www.rsci.ru

## 15. Russian Export Center

The state-run institution to support exports of non-commodities. The center offers a wide range of financial and non-financial support to Russian exporters. The Center liaises with industry-specific ministries and agencies, as well as key industry and business players to improve the export environment in Russia and eliminate existing barriers to exporting. The Russian Export Center is part of the Vnesheconombank Group.

Lending and guarantee issuance support:

- financing export contract expenditures (up to 85 percent of the export contract or agency agreement amount for a period of up to five years);
- financing export contract expenditures (up to 85 percent of the export contract or agency agreement amount for a period of up to two years);
- financing export trade credits (up to 85 percent of the shipping document amount for a period of up to five years);
- financing via a letter of credit (up to 100 percent of the letter of credit amount for a period of up to five years);
- financing loans to foreign buyers (up to 100 percent of the export contract(s) or agency agreement for a period of up to ten years);
- providing trade financing (up to 85 percent of the export contract(s) for a period of up to two years);
- providing loans to banks of foreign-based buyers (up to 100 percent of the export contract excluding prepayment and/or 100 percent of the insurance premium under the insurance agreement with AO EXIAR for a period of up to one year);
- providing guarantees for prepayment refund, guarantees for tax authorities, tender guarantees, performance guarantees, and payment guarantees.

Special export support programs:

- partial reimbursement of expenditures for transportation of agricultural and food products (up to 50 percent of actual costs incurred by exporters);
- placement of products at tasting events and exhibitions abroad;
- reimbursement for export loans from trade financing banks (in accordance with Federal Law No. 459-FZ of 29 November 2018 “On the Federal Budget for 2019 and the 2020-2021 planning period”);
- assistance participating at tasting and exhibition events;
- partial reimbursement of expenditures attributable to the transportation of products (up to 80 percent);
- financing expenditures incurred to promote high-tech products on external markets.

Support available:

- insurance support for Russian goods and services (up to 90 percent of the potential loss), as well as Russian investments abroad;
- financing export operations.

## Contacts

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Tel.: +7 (495) 937 47 47  
info@exportcenter.ru  
www.exportcenter.ru

## 16. Russian venture investments with state participation

### Russian Direct Investment Fund (RDIF)

Key project selection criteria:

- availability of a clear investment utilization plan, financial model, pre-project market and competition research;
- the economic feasibility of the project and an acceptable level of risk;
- investment of own financial resources in the project;
- adequate guarantees for the return on investments made by the RFID (collateral or a guarantee);
- investments in the project by the RFID and partners: up to RUB 1 billion.

[www.rdif.ru](http://www.rdif.ru)

**Project financing support for investment low-interest loans at below the Russian Central Bank’s key rate for a given state support program plus 2.5 percent per annum.**

### Project Financing Factory

- syndicated project financing (with VEB acting as the credit manager);
- hedging interest risks for borrowers and lenders via subsidies from the Government of the Russian Federation;
- special-purpose state guarantee of the Russian Federation;
- special procedure for calculating capital adequacy and creating provisions for loans and borrowings from Russian credit institutions.

### **Russian Venture Company (RVC)**

Provides incentives to develop the Russian venture investment industry and significantly increase the financial resources of venture funds.

Provides support in the form of investment from one or several funds with RVC's participation.

[www.rvc.ru](http://www.rvc.ru)

### **ROSNANO**

Implements the Government's policy aimed at developing the nanotechnology industry and acts as a co-investor in nanotechnology projects with significant economic and social potential. ROSNANO invests in various nanotechnology projects including alternative energy, biomedicine, new materials, and metal processing. Projects aimed at creating new production facilities or expanding and modernizing existing facilities are a priority.

Support available:

- contributions to the charter capital of the project company;
- loans or guarantees required to finance the project company's obligations to third parties.

### **The Foundation for Infrastructure and Education Programs**

Financing for nanotechnology development centers, engineering technology companies and small innovation companies.

[www.rusnano.com](http://www.rusnano.com)

### **Skolkovo Foundation**

Grants ranging from RUB 30 million to RUB 300 million, as well as mini-grants of up to RUB 5 million and micro-grants of up to RUB 1.5 million.

[www.sk.ru](http://www.sk.ru)



# Contacts



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