

## Integrated Territorial Development

*For an innovative and socially-oriented development, the Russian economy needs to reduce its interregional differentiation and set up territorial production clusters focused on high-tech businesses in priority economic sectors. In implementing our regional policy, we are guided by the current nationwide objectives by taking a number of measures seeking to build new economic development centres and address regional challenges in an integrated way.*

### Vnesheconombank's regional policy

As of late 2013, Vnesheconombank signed 55 cooperation agreements and 5 plans of joint action on integrated development of territories with constituent entities of the Russian Federation.

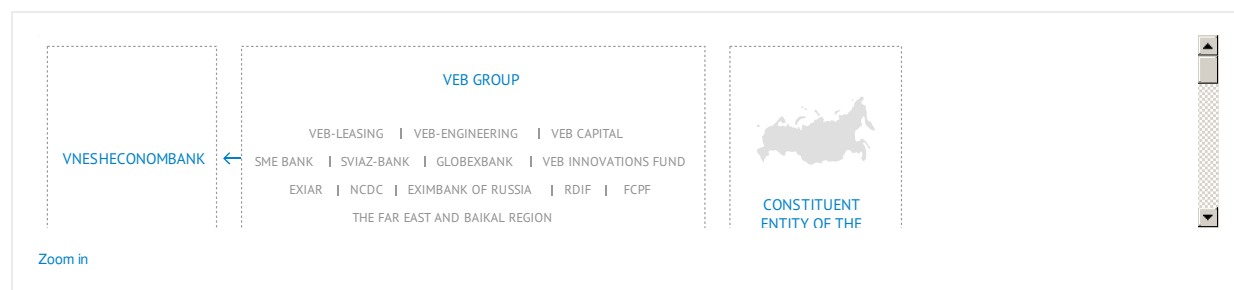
The Bank has generated a pipeline of up-and-coming investment projects that includes 491 projects for a total of about RUB 5.7 tn.

We pursue our regional policy in close interaction with regional public authorities and seek to cement the strategic partnership and long-term relations with Russian regions. The core objectives of our regional policy are as follows:

- encourage the economic development of Russian regions by generating new regional economic growth centres drawing on competitive advantages of respective regions;
- contribute to economic diversification in single-industry towns;
- engage in projects and development programmes intended to mitigate the gap in the life quality between Russian regions;
- facilitate improvements in the investment climate and spur on business activity.

The Bank addresses the task of integrated territorial development through cooperation agreements and joint action plans signed with Russian regions and by strengthening the role of regional development institutions where Vnesheconombank has an equity interest. Vnesheconombank's representations across the Russian Federation play an important role in handling these integrated territorial development tasks. To enhance investment efficiency at early stages, the Bank's regional network collects and analyses data on regions' appetite for lending and financial products and services of Vnesheconombank Group, and builds its regional database that includes data on development programmes by regions and single-industry towns and high-potential investment projects, including the PPP based ones.

### Integrated Approach to Territorial Development



## Priority regions: Kaluga Region



As a development institution, Vnesheconombank promotes regional leaders that enjoy social and economic, research, engineering and human resource capabilities, make a sizeable input to the country's GDP growth, and actively pursue a well-defined strategy that turns them into growth drivers for adjacent territories.

The Kaluga Region was the first pilot region where Vnesheconombank launched a new programme/plan driven approach to regional growth.

The Plan of Joint Action signed between Vnesheconombank Group and the Government of the Kaluga Region in 2011 focuses on implementing ambitious investment projects in the region, supporting SME and PPP mechanisms, promoting lease services and building other economic encouragement mechanisms. The Plan involves most subsidiaries of Vnesheconombank and a number of other development institutions.

The implementation of the Plan for Integrated Development of the Kaluga Region gave an impetus to the industrial growth in this territory, facilitated diversification of its economy, helped to generate new knowledge-intensive jobs and contributed to a notable increase in the quality of life for local residents.

The key results achieved under the Plan are listed below:

- ✓ the loan portfolios of GLOBEXBANK and Sviaz-Bank in the region grew to RUB 1.22 bn;
- ✓ the amount of agreements made by partner banks of SME Bank with small- and medium-sized enterprises of the region went up to RUB 726.38 mn, with the average weighted rate rising from 12.94% to 12.63%;
- ✓ the volume of lease agreements made by VEB-Leasing in the region grew 1.6 times from RUB 299.75 mn to RUB 487.3 mn, with the number of agreements increased by 1.3 times.

### Success story



Developing the Industrial Park Infrastructure  
in the Kaluga Region: Building an Automobile  
and Spare Parts Manufacturing Cluster

*Winner of the 2013 Development Award as the Best Infrastructure Project*

*Implemented by:* Kaluga Region Development Corporation (OJSC)

*Project value:* RUB 14.4 bn

*The Bank's commitment:* RUB 11.2 bn

Four industrial parks are being built in the Kaluga Region as part of the project in a territory measuring 3.5 thousand hectares: Grabtsevo, Vorsino, Rosva, and Kaluga-Yug. The project provides for installing engineering infrastructure at these industrial sites, and constructing production and warehouse facilities, multimodal logistical centres and other facilities required to support operations of industrial park residents. Once completed, the project will provide all necessary conditions for investors to build new production capacities in the industrial parks of the Kaluga Region.

As of late 2013, as many as 28 new businesses were already operating in the industrial parks, with more than 62 companies having invested in the project. Private investment in the project is estimated at RUB 154 bn; tax receipts from industrial park residents, at RUB 50.27 bn, and the annual growth of the Kaluga Region's GRP, at 10-12%. Moreover, the project has added over 16 thousand new jobs, with new hotels and entertainment facilities being built, and the housing construction, tourism and recreation industries on the rise.

The project is expected to bring over 26 thousand new jobs in total. Its budgetary effect is expected to be RUB 268.30 bn.

Flow chart of Vnesheconombank's interaction with regional development corporations  
(with the Kaluga Region as an example)

## Priority regions: Far East and Baikal Region

*In 2013, Vnesheconombank Group and the Primorye Territory's Administration signed a plan of joint action that provides for implementation of 11 investment projects for a total of RUB 273.3 bn, including 3 projects supported by The Far East and Baikal Region Development Fund, with its commitment totalling RUB 38.5 bn.*

Support to the development of the Far East and Baikal Region is another priority area of Vnesheconombank's operations. This region is of strategic importance to Russia, including to its national security. We are working towards an environment that will speed up the development of this macro-region and make it more competitive and economically diversified, with its economy dominated by knowledge-intensive high added value businesses.

The Far Eastern Federal District and Baikal Region are currently implementing 9 ambitious investment projects involving Vnesheconombank. These projects focus on developing metallurgy, transport engineering, mining and ICT systems.

Established in 2011, The Far East and Baikal Region Development Fund, an entity of Vnesheconombank Group with an authorised capital of RUB 15.5 bn, plays an important role in supporting the macro-region's lead growth and enhancing its investment case.

The Fund focuses on investment projects developing the industrial, transport and energy infrastructure in the Far East and Baikal Region by providing fixed-term interest-bearing loans.

In 2013, the Fund ran due diligence for the investment projects listed below that are planned to be launched by the Fund in 2014, including with involvement of private Asia-Pacific investors:

- ✓ Nizhneleninskoye—Tongjiang railway bridge cross-border passage to be constructed over the Amur River;
- ✓ development of the Vladivostok International Airport;
- ✓ a fishery cluster to be set up on the island of Shikotan (Kuril Islands) based on CJSC Ostrovnoy Fish Works facilities.

### Success story



**Creation of a MAZDA SOLLERS Joint Venture for Manufacturing of Mazda and SsangYong Cars (Primorye Territory, Vladivostok)**

**Project initiators:** OJSC SOLLERS, Mazda Motor Corporation

**Borrower:** LLC MAZDA SOLLERS Manufacturing Rus

**Total project value:** RUB 8.9 bn

**Vnesheconombank's commitment:** RUB 4.9 bn

As part of the project, a joint venture of LLC MAZDA SOLLERS Manufacturing Rus was launched in Vladivostok involving major foreign car manufacturers. The joint venture will manufacture up to 85 thousand Mazda and SsangYong cars a year in total. Such a highly localised car manufacturing business will cover demand for modern cars from private and corporate consumers. Some of the company's products (Japanese and Korean cars of various brands, models, types and configurations) are planned to be marketed in the European part of Russia.

So far, the joint venture has acquired the manufacturing capacities and started the assembly of Mazda and SsangYong cars.

The project is planned to generate 2,820 new jobs. The project's budgetary effect is expected to be about RUB 20 bn. The project's implementation will also boost the activity in related industrial sectors and the tertiary sector of the region.



## Priority regions: North Caucasian Federal District

As of late 2013, NCDC was involved in financing 7 investment projects with a total value of RUB 30.36 bn, with NCDC's commitment totalling RUB 6.89 bn.

These projects are planned to directly create 2,284 new jobs, and 6,150 new jobs in related sectors. The projects' budgetary effect is expected to be RUB 1.85 bn.

We focus our development efforts in the North Caucasian Federal District on unlocking the region's high potential by setting up new economic growth centres and industrial sites, bridging the gap between depressive and advanced regions and developing the tourism and recreation industry.

Established in 2010, OJSC North Caucasus Development Corporation (NCDC), an entity of Vnesheconombank Group with an authorised capital of RUB 7.6 bn, is instrumental to building the investment environment in the North Caucasus. The Corporation is a pioneer entity for the North Caucasus that effectively aligns the interests of domestic and international investors on the one hand, and those of public authorities on the other. This guarantees robust project performance and enhances the region's investment payback.

In 2013, NCDC continued building its investment project portfolio. As of the year-end, the Corporation was financing 7 projects related to infrastructure development, the industrial sector, intensive plant growing development, and the tourism industry. NCDC also focused on increasing business activity in the region.

In 2013, in line with the Instruction by Russian Prime Minister Vladimir Putin dated 28 November 2011, NCDC jointly with Vnesheconombank completed drafting the Concept of the Integrated Programme for Development of the Caucasian Mineral Waters Region until 2025. The Concept determines 3 key "growth drivers" of the region:

- ✓ developing the tourism and recreation industry with an emphasis on balneological and healthcare tourism;
- ✓ unlocking the regional transport, trading and logistical opportunities;
- ✓ intensively promoting the industrial agriculture cluster.

### Success story



Development of Intensive Plant Growing and Soya Processing in the Stavropol Territory (Avangard)

**Initiator:** AVG Capital Partners

In 2013, NCDC began to finance the Avangard project. The project focuses on developing

*Total project value:* RUB 3.980 bn

*NCDC's commitment:* RUB 824 mn



intensive plant growing in the Stavropol Territory. It provides for building an advanced agricultural business that will grow soya and maize using intensive plant growing technologies at 20 thousand hectares, including 16 thousand hectares planned to be equipped with advanced centre-pivot irrigation sprinklers. The project also provides for constructing grain drying and processing silo capacities, with an approximate 110 thousand tonne throughput capacity, and sheds for machinery.

The project is planned to bring directly about 100 new jobs and 200 new jobs in related industries. The project's budgetary effect is expected to be RUB 345 mn.

## Modernisation of single-industry towns

*As of late 2013, Vnesheconombank's investment project portfolio comprised 33 projects for a total of RUB 401.5 bn, with the Bank's commitment totalling RUB 266.5 bn.*

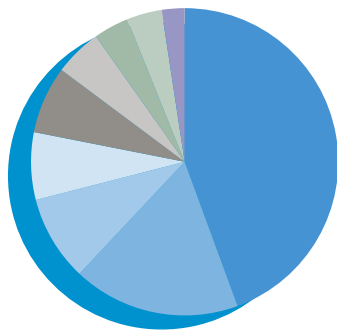
*These projects are planned to bring about 6 thousand new jobs.*

Another focus area of Vnesheconombank's regional policy consists in supporting Russian single-industry towns whose complicated problems accumulated over several recent decades require immediate solution. In line with the List of Measures Designed to Support Stable Development of Single-Industry Localities in 2013–2018, we need to tackle the following challenges:

- ✓ develop and implement mechanisms to support the economies of single-industry towns with involvement by Vnesheconombank;
- ✓ set up the conditions and launch the necessary activities to attract investors to existing industrial sites of single-industry towns, and implement investment projects at existing industrial sites, including the involvement of owners of relevant strategic businesses.

Investment projects implemented by Vnesheconombank in single-industry towns are seeking to ensure the town's financial recovery, modernise strategic businesses, and diversify the economies. Out of 33 investment projects from Vnesheconombank's portfolio, 24 projects for a total of RUB 346.2 bn relate to single-industry towns, with Vnesheconombank's commitment totalling RUB 228.7 bn. These projects have already been fully financed or are at the financing stage.

### Breakdown of Vnesheconombank's project portfolio in single-industry towns by sector as of 31 December 2013



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## Support to regional and urban development projects

*In 2013, FCPF was involved in the financing of 5 projects focused on regional urban development, for a total of RUB 1.1 bn.*

*These projects are planned to create 36.5 thousand new jobs and increase tax and similar receipts by RUB 369 bn.*

In 2013, the Federal Centre for Project Finance continued providing financial and non-financial support to regional and urban development projects.

Under its approved Strategy that factors in the status of reforms and investment climate in individual sectors, FCPF focuses on the following priorities in regional and urban projects:

- development of urban and road facilities (motor road infrastructure, airports, municipal solid waste (MSW) management);
- development of social infrastructure (healthcare, social security, tourism);
- integrated territorial development (industrial parks, urban agglomerations, and regional projects associated with large-scale industrial construction).

As part of financial support to urban and regional development projects, FCPF issues targeted loans and invests in the equity of related special purpose vehicles established by project initiators. FCPF also provides investment advice on project preparation and assists in attracting investments in projects.

Non-financial support provided by FCPF to development projects includes its involvement in the drafting of amendments to federal and regional laws, including on the use of PPP mechanisms. Additionally, FCPF organises training and retraining events for employees of public and municipal authorities, and drafts contract and bidding documentation templates for regional and urban development projects.

