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EXECUTIVE ORDER

OF THE NOVGOROD REGION GOVERNOR

REGARDING APPROVAL OF THE NOVGOROD REGION INVESTMENT STRATEGY

UNTIL THE YEAR OF 2020

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| List of modifying documents  (as amended by Order No. 235 of the Novgorod Region Governor dated June 21, 2017) |

The investment strategy of Novgorod region was approved until the year of 2020 in order to determine the strategic trends of the investment development of Novgorod region.

The Novgorod region investment strategy until 2020 (hereinafter referred to as “the Strategy”) was developed in accordance with the requirements of the Standard of performance of the Russian Federation executive authorities regarding provision of a favorable investment climate in the region, approved by the decision of the Supervisory Board of the autonomous non-profit organization Agency for Strategic Initiatives to Promote New Projects as of May 3, 2012, and is based on the provisions of key strategic documents of the Russian Federation and Novgorod region.

The strategy was developed in order to identify the Novgorod region investment development trends for the period until 2020, ensuring rapid economic growth and improving the quality of life of the Novgorod region dwellers. The strategy introduces the business community with priorities of the economy development of the region as well as tools to support investment activities.

Development of the Strategy as a separate document is conditioned by the need to form a convenient tool for the business community, giving insight into the economic and sectoral priorities of the region development, as well as the tools used to support investment activities.

The strategy defines the mission of Novgorod region as facilitating the economic development of business, increasing its capitalization by creating one of the country’s best business climates, creating conditions for comfortable living and ensuring high living standards and quality of living for the region dwellers.

The main objective of the Strategy is to increase the investment attractiveness of the region, to ensure the growth of investment activity of business entities, promoting more rapid socio-economic development of the region as a whole and its individual municipal units.

Strategy Tasks:

* creating favorable conditions for investment and business activities in the region;
* lifting administrative barriers and infrastructure limitations and restrictions for development of business and investment activities;
* improving financial mechanisms of the investment activities state support aimed at securing the priorities of the Strategy;
* creating conditions for increasing the innovation activity of business entities, creating conditions that support expanding scientific and technical potential, developing innovation infrastructure facilities;
* supporting promotion and generation of demand for innovative products in domestic and foreign markets;
* supporting creation of the talent pool and improving the system of training specialists through the development of vocational education, focused on the needs of high-tech and innovative industries;
* improving the quality of living environment through the retention of skilled personnel, expanding opportunities for self-realization;
* expansion of infrastructural capabilities of the region regarding implementation of major investment projects;
* increasing the level of competitiveness of exporting enterprises in the outer market;
* reducing investment risks, in particular by creating an effective system of cooperation between the executive authorities of the region, local authorities of the region and investors;
* development of the investments projects state support system that meet the priorities of the investment policy of the region, specifically through the development of mechanisms for public-private partnerships;
* implementing measures for Novgorod region positioning on the investment map of Russia and cultivating a positive investment image of the region.

Implementing Strategy measures is aimed at shaping Novgorod region as:

* a comfortable place to live. Human resource, personnel – the most significant factor in the further successful development of the region. Comfortable living environment is created for the purposes of this factor enhancement and attracting the most competent specialists in the region;
* a comfortable place for business. Novgorod region offers competitive advantages – a broad market, developed industrial complex, an adequate infrastructure;
* Economically and socially innovative and high-tech region. Novgorod region is the territory where advanced technologies in the economy and in the social sphere are introduced;
* Territories of effective cooperation of business, government and society for the benefit of the dwellers of Novgorod region. Communication mechanisms created and operating in the region allow implementing economic projects with high efficiency, maintaining a high level of the residents well-being and social stability in the region;
* An area open to the international community. Novgorod region is the territory of successful regional and international communication. Novgorod region offers conditions for life and work of not only Russian citizens, but also citizens of foreign countries.

The Strategy identifies the following key factors of competitiveness of Novgorod region.

Novgorod region is an investment-attractive region of Russia.

Main instruments of the Novgorod region investment policy comply with world standards: a developed system of state support of investment activity, effective development institutions, fiscal incentives and investment platforms formed.

Rating agency “RIA Rating” confirmed the Novgorod region credit rating at the “AA-” level (“Stable”), according to the “Socioeconomic status of the Russian Federation constituents following the results of the year of 2013” rating Novgorod region ranked 59th in terms of “The economy efficiency”.

Expert RA rating agency assigned Novgorod region a 3B2 investment rating (insignificant potential – moderate risk), Novgorod region ranks 37th in terms of the integrated index of the “Investment Risks” category.

According to the methodology of the National Rating Agency, Novgorod Region belongs to the IC5 group of Russian regions with an average second-level investment attractiveness.

Novgorod region ranks 10th according to the “Inflow of direct foreign investment in per capita terms in the regions of the Russian Federation in 2013, excluding investments from offshore territories” ranking.

Favorable geographical location. Novgorod region is located in the north-western part of Russia, 130 km south-east of St. Petersburg and 380 km north-west of the country’s financial center – Moscow, and has close access to ports, airports and customs terminals.

A developed network of automobile and rail roads, providing transport accessibility of cities, villages and rural settlements.

Transit, interregional and intraregional freight and passenger traffic is carried out within the territory of Novgorod region. Multiple railways passing through the territory of Novgorod region connect it with other regions of Russia, CIS, Baltic, European and Scandinavian countries. The most important of them is the high-speed railway St. Petersburg-Moscow, where trains make over 200 km/h.

The total length of automobile roads in the region is 16.0 thousand km, of which 9.0 thousand km is represented by regional roads. Automobile roads density is 160 km per 1.0 thousand sq. km. of the territory, which is one of the highest rates in Russia.

Proximity to air transport infrastructure.

The distance to Sheremetyevo Airport (Moscow) is 400 km**.**

The distance to Pulkovo Airport (St. Petersburg) is 100 km.

The former Krechevitsy military airfield, at which premises it is planned to create a transport and logistics center, is located in the territory of Novgorod region.

Developed personnel training system and availability of innovative approaches to vocational training in higher educational institutions in the territory of Novgorod region.

Training programs in educational organizations are based on the projected need for labor resources.

In order to reduce the shortage in the Novgorod region job market of skilled engineering personnel, workers in the required fields possessing required skills, new promising occupations and specializations are being created in higher educational institutions. At the same time, admission of students for training in professions that are nowadays not in demand in the job market is stopped or reduced.

In order to train skilled specialists over 300 cooperation agreements have been signed between professional educational organizations and employers, including employers-investors, within the framework of which the professional competencies of graduates are clarified, new disciplines are introduced, curricula and syllabi are coordinated and adjusted, job training and internship of teachers and foremen of vocational training is arranged.

Transparent administrative environment.

Entities involved in business and investment activities are provided with integrated systemic administrative support, including reduction and simplification of procedures associated with supporting projects and issuing authorizations and approvals, legislative acts are in force regulating the procedure for granting tax benefits to investors in terms of reducing corporate income tax rates and transport tax, exemption from corporate property tax. It is guaranteed that conditions of the organizations activity determined by regional regulatory acts recorded at the time of the investment project start shall not worsen.

Special development institutions are created.

The created comfortable business climate and massive investors enticing gave an impetus to the growth of regional proceeds and consolidation of the region’s stand on the economic map of Russia. Novgorod region based on the socio-economic development in 2013 ranked:

1st in the Northwestern Federal District (hereinafter referred to as “the Northwestern Federal District”) and 21st in the Russian Federation in terms of the pace of growth of industrial output;

1st in the Northwestern Federal District and 16th in the Russian Federation in terms of the pace of growth of the fixed investment volume;

22nd in the Russian Federation in terms of the fixed investment volume per capita;

3rd in the Northwestern Federal District and 26th in the Russian Federation in terms of the registered unemployment rate;

22nd in the Russian Federation in terms of commissioning of accommodation per capita;

18th in the Russian Federation in terms of the volume of fee-based services provided per capita;

2nd in the Northwestern Federal District in terms of land plots provision to citizens entitled to benefits.

In addition, the Strategy identifies Novgorod region development constraining factors.

According to the Strategy, the focal areas for enticing investments are:

* the agro-industrial complex;
* mining and processing of commonly occurring mineral resources;
* water and waste water services, fuel-and-power sector (including alternative fuels based energy production);
* residential development and construction materials production;
* innovations;
* machine building (incl. automotive components production);
* food processing industry;
* electronic engineering industry;
* pharmaceuticals manufacturing;
* timber cutting and processing;
* transport (incl. waterborne transport);
* tourist industry.

When analyzing the current situation of Novgorod region economy development, the worldwide and Russian trends, investment development patterns, 2 groups of patterns were identified – the core and the supporting ones.

The core group includes areas that will become “points of growth” for the Novgorod region economy development. The supporting group includes patterns, without which the implementation of the core group patterns is impossible.

The core group consists of:

establishing and developing the agro-industrial cluster;

establishing and developing the transport and logistics cluster;

establishing and developing the automotive components manufacturing cluster;

establishing and developing the tourism and recreational cluster;

establishing and developing the IT cluster.

The supporting group consists of:

creating a quality living environment with extended social infrastructure;

developing the alternative fuels based energy production;

operating enterprises brought up-to-date based on innovative solutions;

vocational training and higher educational organizations.

Strategic priorities of the development of the municipal areas and urban district of Novgorod region, indicating the potential and specific nature of the territory, development prospects are presented form the perspective of the investment strategy of Novgorod region until 2020 in accordance with the annex to the Strategy.

The proposed forms and tools to support investment activities comply with the provisions of the Standard of performance of the Russian Federation executive authorities regarding provision of a favorable investment climate in the region, developed by the autonomous non-profit organization Agency for Strategic Initiatives to Promote New Projects, and are based on the following mechanisms for supporting investment activity parties.

The strategy is implemented using the following mechanism:

Strategy implementation plan;

state-sponsored programs of Novgorod region.

The main participants of the Strategy implementation are entrepreneurs, public associations, executive authorities of the region, local governments of the region, territorial bodies of federal executive authorities in Novgorod region, enterprises and organizations of the region.