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## On Creation of Special Economic Zones for Tourism and Recreational Purposes

On January 18, 2007, G.O. Gref, Minister for Economic Development and Trade of the Russian Federation, made the report "On Creation of Special Economic Zones for Tourism and Recreational Purposes" at a meeting of the Government of the Russian Federation



Dear Chairman of the Government, dear colleagues!

Tourism is one of the leading industries of the world's economy, now featuring one of the highest paces of development. The branches forming part of the tourism industry cooperate with other, allied, branches being suppliers, which, though not involved directly in tourism, are thereby stimulated indirectly and benefit from the development of tourism. Thus, tourism produces a sizable multiplicative impact upon economic and social development and contributes there through to diversification of economy.

According to the World Travel and Tourism Council, in 2006 the contri-

bution of tourism to the global GDP will amount to: 3.6 % for all countries; 3.9% for the European Union; 10.3% for the world economy with multiplicative effect taken into account, and 10.9% for the European Union with multiplicative effect taken into account.

According to predictions for the period until 2016, the growth rate of international tourism in the structure of the global GDP, with multiplicative effect taken into account, will reach 105.8% (relative to 2006), that for the European Union, 110%. For Russia, this figure may reach 2%, and even 9.1% with multiplicative effect taken into account.

Let us compare the development of tourism in different countries. The slide presents some indicators for a number of countries.

As compared to other countries, tourism growth rates in Russia are noticeably lower. For instance, according to Rosstat (Federal State Statistics Service), the share of tourism in the GDP for 2006 is 1.5%. The figure with multiplicative effect taken into account is 5.1% (data provided by the Federal Tourism Agency).

For comparison, the share of tourism in Austria's GDP is 6.2%, and even 16.6% with multiplicative effect taken into consideration. For France, these figures are 4.4% and 11.4% respectively, Germany: 2.7% and 9.3%; USA: 3.9% and 10.5%.

Development of tourism influences actively on population employment structure. For Russia in total, the share of employment in the sphere of tourism is 1.3%, and 6.6% with multiplicative effect taken into consideration (that is, with account of employment in allied branches). For comparison, for Austria, this figure is 7.3%, which grows to 19.1% with multiplicative effect taken into account; for France, these figures are 5.5% and 13.8% respectively; Germany: 3.0% and 10.1%; USA: 4.1% and 10.9%.

To achieve appreciable results in the tourism sector and to further economic diversification, Federal Law No. 76-FZ, dated June 3, 2006, has introduced some amendments to Federal Law No. 116-FZ of July 22, 2005, "On Special Economic Zones in the Russian Federation" (hereinafter referred to as "the Law"), in what concerns establishment and disestab-

lishment of special economic zones for tourism & recreational purposes (hereinafter referred to as "SEZs").

In 2006, in the context of implementation of the Law, the Ministry for Economic Development and Trade of the Russian Federation arranged an open tender for establishment of special economic zones for tourism and recreational purposes. In total, 28 bids from subjects of the Russian Federation were submitted. An expert review board formed under the Tender Committee of the Ministry for Economic Development and Trade of the Russian Federation and composed of representatives of science, federal executive bodies and experts, with V.A. Mao as the chairman, reviewed the bids. The Tender Committee named winners of the tender, namely, Administration of Altai Krai, Government of the Altai Republic, Administration of the Irkutsk Region, Government of the Republic of Buryatia, Administration of Krasnodar Krai, Government of Stavropol Krai, Government of the Kaliningrad Region. Their projects were recognized as the most interesting, conceptually elaborated and aimed at comprehensive development of the tourism & recreational potential of the afore-said regions of the Russian Federation.

An analysis of the projects submitted invites the conclusion that the greater part of them will be more effective if implemented within the framework of a general concept for development of geographically adjacent territories, which will allow maximizing the economic effect. It refers, in particular, to enhancing the tourism & recreational potential of Lake Baikal (Irkutsk Region and the Republic of Buryatia) and Altai (Altai Region and Altai Republic).

Principal objectives pursued through establishing SEZs, and their significance for the Russian Federation

Establishment and further devel-

opment of special economic zones for tourism & recreational purposes based on mutually beneficial cooperation and highly professional participation of all the entities involved will secure:

- increasing the contribution of the tourism sector and allied branches to Russia's GDP and thereby diversifying the economy;
- stimulating the development of depressed regions with a low industrial potential;
- raising the level of population employment (by 2016, around 64 thousand jobs are to be created in the seven SEZs, which is equivalent to approximately 155 thousand jobs with the multiplicative effect in allied branches taken into account);
- improving the population's health and standards of living through facilitating the access of Russian Federation citizens to tourism, sanatorium & resort services;
- increasing flows of tourists in the territory of the special economic zones (from 3 to 9.7 million tourists by 2016);
- preservation of the environment, natural and cultural values;
- developing innovation, transport and social infrastructure.

### Brief description of SEZs

**"Biruzovaya Katun" - special economic zone in Altai Krai** (surface area of up to 33 square kilometers).

Project objective: Formation of organizational and economic environment for establishment and operation, in Altai Krai, of a resort & recreational complex oriented at utmost utilization of the natural and resource potential and peculiarities of the territory.

The following types of tourism are proposed to be developed in the SEZ: eco-tourism, health improvement, water tourism, sports, speleotourism.

Supposed amount of extra-budgetary investments is 3.16 billion rubles.

Major components of the future tourism infrastructure will be as follows: a year-round hotel complex for 3-3.5 thousand guests (three and four -star categories), facilities for cultural & recreational, health improvement and sporting purposes (equestrian sports complex, a few swimming pools, etc.), catering facilities, other service industry facilities.

Required budgetary funds for establishment of the SEZ: 7.31 billion rubles, including 6.93 billion rubles from the federal budget.

**Special economic zone in the Altai Republic** (surface area of up to 16 square kilometers).



Project objective: Development of the tourism industry in compliance with international standards for the purpose of involving, as full as possible, significant tourism resources, attraction of investments and, consequently, socio-economic development of the Republic, improving the quality and standards of living.

The following types of tourism are proposed to be developed in the SEZ: ski-related tourism, ecotourism, sports, recreation.

Supposed amount of extrabudgetary investments is 6.69 billion rubles.

Major components of the future tourism infrastructure will be as follows: a few year-round hotel complexes for a total of 8.5 thousand

guests (three and four –star categories) with SPA centers, fitness, cultural and recreational centers, health improvement complex, mountain ski complex, catering facilities, other service industry facilities.

Required budgetary funds for establishment of the SEZ: 5.66 billion rubles, including 4.83 billion rubles from the federal budget.

**Special economic zone in the Irkutsk Region** (surface area of up to 4 square kilometers).



Project objective: Creation of a year-round world-class resort for various segments of tourists from Russia, CIS and European countries, on Lake Baikal, as well as in mountain territories in the vicinity of the settlement of Listvyanka (Irkutsk District).

The following types of tourism are proposed to be developed in the SEZ: business tourism, sports, eco-tourism, ski tourism.

Supposed amount of extrabudgetary investments is 10.32 billion rubles.

Major components of the future tourism infrastructure will be as follows: a few year-round hotel complexes for a total of 11 thousand guests (three to five –star categories) with cultural, recreational and health improvement facilities, two congress centers, mountain ski complex, overhead passenger ropeway, aquatic park, recreational center, network of catering establishments, other service industry facilities.

Required budgetary funds for establishment of the SEZ: 4.72 billion rubles, including 2.56 billion rubles from the federal budget.

**“Baikal” - special economic zone in the Republic of Buryatia** (surface area of up to 701 square kilometers).

Project objective: Creation of an international tourism center in the east of Russia, raising the competitiveness of tourism and sanatorium/resort services, creation of favorable conditions for fast and sustainable development of the region.

The following types of tourism are proposed to be developed in the SEZ: Ski tourism, sports, eco-tourism, health improvement, tours, water tourism.

Supposed amount of extrabudgetary investments is 38 billion rubles.

Major components of the future tourism infrastructure will be as follows: a few year-round hotel complexes for a total of 22 thousand guests (three to five –star categories) with cultural and health improvement facilities, mountain ski complex, roofed aquatic park, yacht club, equestrian sports complex, fitness center, catering establishments, other service industry facilities.

Required budgetary funds for establishment of the SEZ: 13.34 billion rubles, including 10.2 billion rubles from the federal budget.

**Special economic zone in Krasnodar Krai** (surface area of up to 20 square kilometers).

Project objective: Creation of world-class engineering and tourism infrastructure, which will contribute to re-distribution of tourist flows over year seasons and facilitate the access of mass population to rest facilities.

The following types of tourism are proposed to be developed in the

SEZ: beach tourism, business tourism, health improvement, water tourism, sports.

Supposed amount of extra-budgetary investments is 147.4 billion rubles.

Major components of the future tourism infrastructure will be as follows: a few international-class year-round hotel complexes for a total of 110 thousand guests (three to five –star categories), sports, fitness, cultural and health improvement facilities and centers (golf courses, playgrounds, swimming pools, recreational parks), yacht clubs, aquatic parks, catering establishments, other service industry facilities.

Required budgetary funds for establishment of the SEZ: 28.96 billion rubles, including 15.98 billion rubles from the federal budget.



**“Kavkazskiy Mineralnyye Vody” - special economic zone in Stavropol Krai** (surface area of up to 17 square kilometers).

Project objective: Creation of an up-to-date balneological resort, which requires improving the quality of services, higher flexibility of health improvement programs, formation of a wide range of recreational opportunities for holiday-makers, and development of related kinds of tourism.

The following types of tourism are proposed to be developed in the SEZ: recreational tourism with balneological component, eco-tourism, business tourism, sports, cognitive tourism.



A specific direction for development of the tourism and recreational potential of Kavkazskiy Mineralnyye Vody should be innovative methods of balneological treatment and novelties of the world's SPA industry.

Major components of the future tourism infrastructure will be as follows: a few international-class year-round hotel complexes for a total of 17 thousand guests (three to five – star categories), national-scale children's health improvement center, innovative treatment center, SPA centers, sports & rehabilitation complex, mountain ski complex, external tourism center, cultural and entertainment facilities, aquatic park, ethnopark, deltadrome, ice rink, observatory, shooting ground, other service industry facilities.

Supposed amount of extra-budgetary investments is 49 billion rubles.

Required budgetary funds for establishment of the SEZ: 3.06 billion rubles, including 2.54 billion rubles from the federal budget.

**“Kurshskaya Kosa” – special economic zone in the Kaliningrad Region** (surface area of up to 67 square kilometers).

Project objective: Creation of favorable environment for improving the investment attractiveness of the region owing to utilization of liberal economic mechanisms adapted to European standards, as well as intensification of development of eco-tourism in the Kaliningrad Region.

The following types of tourism are proposed to be developed in the SEZ: eco-tourism, health improvement, water tourism, tours, bicycle tourism.

Supposed amount of extra-budgetary investments is 5.82 billion rubles.

Under the project, the following facilities will be built: children's health improvement center, international eco-camp, international educational center, sail-plane training school, roofed aquatic park, hotels for 4 thousand guests, yacht clubs, catering facilities, other service industry facilities.

Required budgetary funds for establishment of the SEZ: 1.8 billion rubles, including 1.5 billion rubles from the federal budget.

### Conclusions and proposals:

The special economic zones are meant to be created using all available sources of funds. The estimated aggregate amount of the funds required is 325.2 billion rubles (within the period until 2016).

The required amount of funds from the federal budget is 44.54 billion rubles, which is equivalent to 13.6% of the total investments (the size of financing of the projects as per the bids is 27.45 billion rubles, that for off-site transport infrastructure is 17.09 billion rubles), the funding from the Russian Federation subjects is 15.2 billion rubles, that from local budgets, 5.1 billion rubles, and that from extra-budgetary sources, 260.4 billion rubles.

Amounts of budgetary funding are to be determined more accurately after the project documentation has been developed and approved in accordance with the procedure in force.

The budgetary funds are supposed to be spent for construction of engineering infrastructure facilities.

For 2007, it is scheduled to prepare territory planification documentation, perform the zoning of the territories, develop architectural concepts of the SEZs with allowance for specific local conditions, in particular, landscape and geological peculi-

arities, work out a concept for development and management of tourism and recreational areas and master plans for each zone.

Based on results of the tender held and pursuant to the Law, the Ministry for Economic Development and Trade of the Russian Federation has drafted seven decisions of the Government of the Russian Federation on establishing special economic zones in the territories of the Russian Federation subjects, and submitted the drafts to the Government. They are approved by the Ministry of Health and Social Development, Ministry of Natural Resources, Ros-turizm (Russian Federal Tourism Agency), Federal Antitrust Service, and the Russian Federation subjects where the special economic zones for tourism & recreational purposes are proposed to be created.

In this relation, it is proposed to endorse the seven winners of the tender, named by the Russian Federation Ministry for Economic Development and Trade, and approve the draft decisions of the Russian Federation Government, as submitted by the Russian Federation Ministry for Economic Development and Trade, on creation of special economic zones for tourism & recreational purposes in Altai Krai, Republic of Altai, Irkutsk Region, Republic of Buryatia, Krasnodar Krai, Stavropol Krai, and Kaliningrad Region. ■



## RusCham News



In order to help small and medium size businesses to join the fastest growing international business network RusCham established FREE membership in Russian Chamber of Commerce in European Union

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#### Requirements:

It should be a business or public legal entity, which engages into developing public, economical, business and cultural cooperation between Russia, CIS and European Union and which supports activities of RusCham. Organization should be officially registered in its country. Membership is free. Associate Member of RusCham has no vote at annual meetings of RusCham, but entitles to participate in RusCham meetings, events, projects, programs as well as to receive benefits and discounts on RusCham services and events.

#### Membership Documents:

- Application
- General information on organization

#### Benefits:

- Associate Member of RusCham will receive benefits as RusCham members, including discounts on events and services
- Participation in RusCham projects, developing joint projects, publications and public events
- Associate Member of RusCham will receive monthly RusCham NewsLetter, reports and other promotion and research materials.
- Use a RusCham membership logo

We invite you to joint the fastest growing RusCham's international business network!

Application and supporting documents should be sent to RusCham via e-mail at [mail@ruscham.com](mailto:mail@ruscham.com) ■

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Secretariat of RusCham is to be moved to Bratislava office from April 1, 2006. Please follow the updates on our web site.

During transition time you may also contact us directly at the following numbers:

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International Investment Forum

## «Cooperation in Commercialization and Financing of Innovations and Technologies»



Vienna International Center  
21 March 2007, Vienna, Austria

International Investment Forum "Cooperation in Commercialization and Financing of Innovations and Technologies" is held by International Congress of Industrialists and Entrepreneurs (ICIE) conjointly with United Nations Organization on Industrial Development (UNIDO) and will take place in UNIDO headquarters at Vienna International Center on the 21st of March, 2007. Program and Schedule of the Forum is attached below.

Forum is a planned joint event of ICIE and UNIDO. Upon its outcome ICIE and UNIDO will take decision on expediency of transforming this event into ongoing dialog between organizations, their members and participants and entering Forum in prospective program of UNIDO and ICIE activities.

Forum is aimed to establish an ongoing

dialog between countries, participating in ICIE and UNIDO in the field of innovations and technologies transfer to developing countries, working out methodology of such technologies transfer as well as organizing commercialization and financing of such technologies transfer within the framework of UNIDO's main task - fighting poverty and improving conditions of life of developing countries' population.

At the Forum it is planned to present International Certification Center, International Center of Commercialization and technology transfer as well as online International Data Bank of commercial projects and proposals.

Forum is arranged in three thematic sessions (see the attached Program and Schedule); at the same time actual concrete projects will be presented for dis-

cussion of possibilities of their joint realization.

Forum will be attended by 150 delegates (100 - from ICIE and 50 - from UNIDO), including: UNIDO Director General Mr. Kandekh Yumkella, ICIE President Viktor Gloukhikh, Directors of UNIDO main office departments, UNIDO representatives in African and Latin America countries, India and China, directors of UNIDO sectoral and regional programs and projects, Delegates of national unions of industrialists and entrepreneurs of the countries, represented in ICIE, projects and programs originators, Representatives of international business and financial society (including Austrian) Representatives of state governing bodies from the countries participating in Forum Representatives of Russian and foreign mass media

## VII annual Eurasian Business Summit

Monte Carlo, Monaco  
3-9 June 2007



Leading Ventures Associates announces the opening of the registration for VIII annual Eurasian Business Summit which will be held in Monte Carlo, Monaco, 3 - 9 June 2007.

The aim of the Eurasian Business Summit is to showcase the enormous investment opportunities present across Eurasia to the corporate world. Key decision makers, experts, dignitaries, and ambassadors, along with senior government officials of various countries will converge at the Summit to explore optimal opportunities and current threats, to find ways of overcoming difficulties in development and realization of investment projects.

Concept - Summit provides a significant platform for international dialogue between business people and politicians of Eurasian region (CIS,

Eastern Europe, Asia) on the one hand and EU countries and North America on the other hand. The Summit promotes political dialogue, economic, financial and technological cooperation and helps make new business contacts. The Summit focuses on the areas of finance and investment, metallurgy, oil & gas sector, transport, international trade, agriculture, telecommunications, energy and engineering. Delegates will be able to share their experience and develop schemes and programmes of partnership and cooperation.

Within the framework of the Summit: Investors Forum, Industry and regional sections, banking and financial section.

Participation in the Summit will help you boost your business development,

widen the scope of your international contacts and promote your investment projects. You will join an elite circle of politicians, business people, analysts, investors, fund managers, bankers, industrialists and entrepreneurs. The event will be supported by media partners, journalists and the steering committee (Leading Ventures Associates). You will be able to create a platform for the future growth of your business and establish fruitful relationships and business contacts. To participate in the Summit as a delegate, sponsor or a media partner please fill in the registration form.

For more information, programme and registration please visit

<http://www.lvauk.com/summit/en/index.htm> ■



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OF RUSSIAN CHAMBER  
OF COMMERCE IN EUROPE**

In support of the RusCham's core activities, which actively work to improve the business environment for businesses in Russia and Europe, the Russian Chamber of Commerce in EU also provides valuable business networking opportunities for members.

Russian Chamber of Commerce in EU serves as a center for assistance and information, keeps members apprised of rapidly evolving government laws and regulations, and organizes meetings for representatives of member businesses.

RusCham is an information center that gives much-needed information and contacts to visiting delegations, fosters co-operation between potential investors and established businesses, and encourages businesses to take advantage of business opportunities in the Russian Federation or Europe.

Also RusCham is enabling business representatives to air their grievances and create a common agenda of needs and concerns, to act as one voice in presenting that agenda to the governments and local business communities enable member businesses to collectively lobby for legislative and regulatory changes.

The Chamber's most important assets are its members. They are our clients, our workforce and our strength. Our mission is to promote the development of commercial relations between the Russian Federation, EU and the international community.

RusCham membership is made up of enterprises and entrepreneurs from the member states of the European Union (EU) and the Russian Federation, which have business activities with and in the Russian Federation, NIS and Europe. These members determine the overall strategy and policies of the organization.

To become a member of RusCham please send an e-mail to [membership@ruscham.com](mailto:membership@ruscham.com) or contact us at +421 0907 767 714

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