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Russia's New Horizons
NURTURING SMES IN RUSSIA
Roundtable

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10:00–11:15, Pavilion 4, Conference Hall 4.1

St. Petersburg, Russia
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Moderator:

Alexander Brechalov, President, OPORA RUSSIA, The All-Russian Non-Governmental Organization of Small and Medium Business

Panellists:

Sergei Borisov, Vice President for Small Businesses Development, Sberbank

Valery Fadeev, Editor-in-Chief, Expert Magazine; General Director, Mediaholding Expert

Alexander Galushka, Co-chairman, Delovaya Rossiya

Michael Harms, Chairman, Russian–German Chamber of Commerce

Sergei Katyrin, President, Chamber of Commerce and Industry of the Russian Federation

Artem Konstandyan, President, Promsvyazbank JSC

Peter Lindholm, Lead Innovation Advisor, The World Bank

Sergey Morozov, Governor of the Ulyanovsk Region

Andrei Nikitin, General Director, Agency of Strategic Initiatives

Boris Titov, Presidential Commissioner for Entrepreneurs' Rights

A. Brechalov:

Good morning, distinguished colleagues. Please take your seats. To be honest I was sure that after yesterday's many functions nobody would come, but it seems that there is quite an interest in small business.

Colleagues, let us start. We do not have a lot of time but there are many topics for discussion. I will remind our participants that the theme of today's roundtable is 'Nurturing SMEs in Russia', in accordance with the programme that OPORA RUSSIA (The All-Russian Non-Governmental Organization of Small and Medium-sized Business) and many representatives of the business community and regions have been developing for more than two months now.

Just recently, Andrei Nikitin (Agency of Strategic Initiatives), Artem Konstandyan, President of Promsvyazbank, and I held our first press conference in which we presented some blueprints for a new fiscal model. Today we will make two short presentations which we will then put up for discussion.

Without question, I will start with the main news item, which is very good news for entrepreneurs. Today we have been honoured with the presence of Boris Titov. Yesterday, as you all know, the president spoke of an economic amnesty as well as a number of interesting measures and proposals clearly directed at improving both the business and investment climate; these, therefore, concern nearly every entrepreneur in Russia. Accordingly, Boris (I hope you agree that we have celebrated your first year as ombudsman in a fine way), we shall soon have a session on the topic 'Commissioner for Entrepreneurs' Rights Protection – Results of the First Year'.

Esteemed colleagues, please allow me to introduce those who will take part in today's discussion. Sergei Borisov, Vice-President for Small Business Development at Sberbank and President of the Board of Trustees at OPORA RUSSIA; Sergey Morozov, Governor of the Ulyanovsk Region; Andrei Nikitin, General Director of the Agency of Strategic Initiatives; Artem Konstandyan, President of Promsvyazbank; we are still waiting for Nikita Belykh, Governor of the Kirov Region; Alexander Galushka, Co-chairman of Delovaya Rossiya and Co-Chairman of the All-Russian People's Front; Irina Akbasheva (please stand up Irina Akbasheva as I would like to introduce you to everyone here), one of our

key speakers, Deputy Head of Satkinsky Municipal District; and Andrei Medvedev, entrepreneur of a medium-sized manufacturing business from Yaroslavl. As I have already mentioned, Boris Titov will be taking part in our discussion and we are also waiting for Andrei Sharonov, the Deputy Mayor of Moscow who is at a press conference at the moment but should join us shortly thereafter. We also have representatives and experts from Europe, Peter Lindholm and Michael Harms. I believe that I have introduced just about everyone. Mikhail Kopeikin, Deputy Chairman of Vnesheconombank, which has been actively helping small businesses. I am sure that you will have something to contribute here too.

Colleagues, regarding your allotted time – you are all probably used to the time limits now given the sessions that have taken place over the past two days. You will be allotted three to five minutes and then we will have a live discussion. We shall begin with two short introductory remarks.

Allow me to begin first. I have just three slides to show you. The main topic that we would like to bring up for discussion is 'The Role and the Function of the State'. Next slide. From our point of view, given the situation that we are in now, the phrase 'above all, do not interfere' is no longer sufficient. From our point of view, the state should at all levels (from the municipal to the federal) play a more active role in stimulating the development of business, the creation of infrastructure, and so on. Summarizing the results of the enormous work undertaken in this period we have come up with this formula: the time has come for the state to become an accelerator for business.

Certainly, at the end of our discussion I will ask both Peter and Michael for their evaluation of our proposals from a European perspective. We have evaluated the experience of both developing and leading economies in this aspect. One of the most striking examples where the state has acted as an accelerator for business is the United States of America, especially in the transition from small to medium business. You have, probably, already seen a mass of publications and our comments. Alexander Galushka and I organized one of the first press conferences on the theme of 'Nurturing SMEs in Russia'. So now we would like

to take a step back from all the big ideas and get down to the specifics. Let us turn to the next slide.

Now, the first stage: a large part of the business community consists of micro-business, the so-called self-employed and individual entrepreneurs; this is the most popular topic of the year, and the theme of many discussions. In short, what are we proposing? Naturally, there must be an extremely simple and easy entry process into business, and a fiscal model based on a 'one window, one payment' principle. For, at the moment, the state has to some degree imposed the administrative function on business. But we need to understand this business, the micro-entrepreneur, and the self-employed population.

Furthermore, few people understand what is going on with our new pension formula. To require a businessman to understand where he must pay his insurance premium, how he accumulates points and rights and what these will eventually turn into is practically impossible. We suggest some form of licence – naturally without any registration process. By the way, this has already been implemented in neighbouring Kazakhstan. That which I have spoken about – the basic proposal of having 'one window, one payment' – entails a lowered interest rate for certain types of business (certainly for manufacturing business, for non-profits, for business in certain areas), and a reduced tax rate for two or three years. This will be discussed by a community of experts.

A major problem is the land used for business, so one issue is that of the free allocation of land and land tariffs. We have done a lot of work in this area – regarding natural monopolies tariffs. We are not speaking now only of the connection of utilities: this is a major problem in many regions. There are, of course, regions which have made major advances in this regard. The Ulyanovsk Region is, in part, an example of this, and Sergey will probably talk to us about that. But one hears many examples and cases of having to wait 18 months for a gas connection, while electricity connection times vary to a great extent across different regions. The cost of these connections for microbusiness make up almost 75% of their start-up costs. This is as far as microbusiness is concerned.

The next step (let us call it the second phase) is small business: our discussion here will take place within the already extant legislative framework:

microbusiness, small and medium-sized business. The entrepreneur who has passed from microbusiness to small business (in our view this is what the acceleration function entails) can also receive certain incentives from the state. The topic of concessional lending by development institutes is widely discussed nowadays. In our view, having just one such development institute, the Russian Bank for Small and Medium Enterprises (SME Bank), is insufficient. We need to draw our attention to those programmes of the Ministry of Economic Development which aim to create microfinance funds, leasing packages, preferential rent programmes, and the exemption of property tax during periods of renovation. That is a second step.

One of the most significant points is the transitional phase to medium business (the third phase is business development). We have many examples of this and it was not by chance that we invited Andrei Medvedev from Yaroslavl. He is an example of a businessman who has worked his way up from small to medium business.

The transition to the category of 'medium business' (if we talk, for example, of manufacturing business) always demands a serious lump-sum investment and this can amount not to a million roubles but to hundreds of millions. Here the entrepreneur does not have a lot of choice. To attract an investor means to basically lose control over your company. Why? Because the volume of the business is not commensurable with the money that has been invested: in most cases the share of the initial owner is reduced. Taking out market loans even with Vnesheconombank and SME Bank programmes is still very expensive. In terms of manufacturing and innovation-based business we fully understand that there are few businesses whose margin is more than 10%. Therefore I would ask people to pay particular attention: we believe (and this is international practice) that in this transitional period of at least two to three years the corporate profits tax rate should be zero, the property tax rate should also be zero, there should be a reduction in investment payments, and a compensation for investment payments for new employees. We (and I have already mentioned Vnesheconombank) are developing a special scheme for those fast-growing

industries wherein the loan resources are less than 9.8%. And of course the possibility of acquiring plots of land and premises at concessionary rates.

And to conclude, two more slides. Let us have a look at the next slide. Think about everything we are talking about: where is all this to be implemented? This is not happening in virtual reality but in a concrete municipal unit because that is where small businesses are registered. OPORA RUSSIA has already for some time been carrying out studies into the business climate in municipalities. Some rather negative trends have been brought to light: practically in each region there are no more than 10–15% of municipal leaders wanting to develop enterprise who are successful in doing so. Maybe our respected governors will correct me but this is what our research indicates. Having said that, as you see on the slide (and as successful practice has indicated) there is an enormous potential for the development of business in the domestic market.

In our view, the model of cooperation between business and the municipalities should be like this (next slide): here is an example of job vacancies. What you see on the slides is not a concrete example but we believe that it is a good working model. One of the pilot municipalities in Russia that has been chosen is the Satkinsky District of the Chelyabinsk Region. All job vacancies which have been suggested by potential entrepreneurs will also be posted by the municipality. One such project in existence today, Smart Start, is already fairly well-known. We will make an effort to widely publicize the work that is to be carried out in the Satkinsky District.

I will stop here. I would like to give the floor to Artem Konstandyan. I think that Artem will continue my train of thought, with an emphasis on medium business. Artem, please.

A. Konstandyan:

Good morning, colleagues. I have only three slides in my presentation, but I would like to talk about them in some detail and share our experience. We have significant experience in working with small business (about 18 years) but we have only worked with them through a special programme since 2007. There are about 130,000 small and medium businesses with whom we work today, so I can

confidently speak not only in the name of the institute which I head but in the name of many colleagues.

Eighty percent of the loans that we issue go to the regions and not to Moscow which is also telling. It is very important to note that half of these loans are investment loans: three-year loans and, even in some cases, up to five-year loans.

So what have we encountered recently? We and our colleagues have begun to walk round in circles; we have begun to approach one and the same entrepreneurs, offering them our services. New businesses are becoming rarer. Against the backdrop of global changes which are reflected here in our own particular, Russian circumstances, we see fewer and fewer examples like those of Nogotkov, Tinkov, and Korkunov. Does this mean that Russia's human potential is dwindling before our very eyes? On the whole, the answer is no. There is some good news: we are seeing some very successful entrepreneurs who have shown by their work that they are effective, and entrepreneurs who have built up a successful business and who wish to develop further in their own regions and expand into other regions. Unfortunately, we also see that often they find themselves trapped and unable to do so.

We all know that a transition to a new level is a high-risk strategy and that banks are forced to evaluate these risks. Moreover, we must keep in mind the commonplace concept (it is even included in the Charter of the Central Bank) of "the loan's conformance to the scale of the client's business". If an entrepreneur sees that he has a potential to make RUB 500 million from RUB 50 million, or to increase his revenue to a RUB billion from RUB 500 million—what means does he have to realize this potential? This is not always clear. Or rather, it is evident that in the majority of cases this just does not happen. As Alexander has correctly pointed out, businesses are often wary of inviting investors – to say nothing of the chronic lack of investors ready to invest. It is not always attractive for banks, given all the risks, to invest.

I believe that if our government is seriously concerned about decreasing economic growth rates, then we should not just support our existing entrepreneurs as they are now – so that they do not fall into difficulties and come

to the government to pull them out of trouble later on thereby becoming dependent on this support. Rather, the entrepreneurs should be actively developing production and investing into it. We should be supporting entrepreneurial growth initiatives for the creation of new employment. For this, several large infrastructure programmes are not enough, although I give my 100% support to these infrastructure projects about which, among other things, the president spoke yesterday. We need to support small business. Accordingly, we fully support the acceleration initiative of OPORTA RUSSIA. Everyone knows the share that small businesses contribute to Russia's GDP. There is no sense in repeating these statistics: they are far lower than in other countries, many of which I would not say are far more developed than Russia. But this is how it is and we need to improve it.

Let us move on to the next slide. When we speak about acceleration we are speaking of two lines of support: financial and fiscal. It needs to be said that, on the whole, the support tools already exist. In the regions, there are business support funds in place: in 53 regions we are working with 43 funds. But according to the data of the Ministry of Economic Development of the Russian Federation, on January 1 of this year, the total funds amounted to RUB 36 billion, the volume of loans they provided was RUB 200 million, and the general volume of the loan market to small- and medium-sized businesses was RUB 6.9 trillion. Frankly speaking, our estimates of the volume of the market in loans are somewhat lower: I believe that the RUB 6.9 trillion figure is rather optimistic. Yet if we accept the evaluation of the Ministry of Economic Development and Trade, then the funds support 2% of loans to small- and medium-sized business. I will remind colleagues that the funds support from 50% up to 70% of the loan, in the best case. The banks themselves take risks in loaning to small entrepreneurs, and I believe that it would be virtuous and correct to set a goal to raise the volume of support by these funds at least to 5% of the loan market volume, and within three years to raise this to 10%.

There is a relatively new but fairly widespread term: the 'zoo'. Of the 43 funds that we have, there are as many regulations. This is strongly dependent on the particular nature of the regions and on the attitude of the governors. However, we

have already accumulated experience: there are some fine successes in Moscow and in St. Petersburg as well as in Vladimir, Vladivostok, Omsk, and Ulan-Ude. I believe that the time has come to develop the rules of the game at a federal level, taking as a basis the successful experience in this area and developing a federal standard.

I must say some good words here about the SME Bank: it has a new programme entitled Guarantee – we welcome and fully support this programme, but it is still not enough.

As far as the fiscal part is concerned, Alexander has already talked about this in some detail. Respected colleagues, what do we need this for? We must not introduce taxes for the sake of taxes! Taxes are necessary to reduce burdens and to increase the sustainability of projects so that banks can be more active financial enterprises. Banks are one of the few real sources of support for businesses. Why banks? We are financial consultants for these clients not because we won tenders but because, for the majority of enterprises, a banker is the only financial expert, the only person who can explain what support tools there are, who is able to carry out a financial analysis and monitor the terms, amounts, goals, and the development of the project. A banker is able to do this not only for the entrepreneur himself but also for institutions of development.

And now finally the last slide. This is a business case. I cannot say that this is a successful case but, rather, it is a case that we are examining at the moment. This businessman is from Volgograd. Everyone understands that the margin of safety, the sensitivity of the investment project, should be at least 15% to the sensitivity to changes in revenue and in an optimal case this would be far higher than 15%. However, today in the tax and financial conditions that we offer, such a sensitivity does not exist. But if it were possible to provide funding for the project at least at the rate of 10%, then how can this be done? One of the clear methods is by having institutes of development provide special funds to us as a bank, and then we can provide them to the enterprise. A second way is through tax support. As a result we see at least a 15% safety margin as a target, which will allow us and our colleagues to take these risks upon ourselves and actively

finance enterprise growth which, of course, encourages both regional development and the development of the country as a whole. Thank you.

A. Brechalov:

Thank you, Artem.

Let us try to discuss things as quickly as we can. Irina Akbasheva, the Deputy Head for Economics and Strategic Development in the Satkinsky District. This is a municipality which already has a very positive development record. Irina, you have three to four minutes as we agreed.

I. Akbasheva:

Good morning, respected participants. To start with, I will just give you a few figures: within the three years of working on the municipal programme for the development of enterprises, the number of entities has grown from 500 to 1,194 and the shares of those employed in small businesses from 5,000 to 11,500; what is particularly pleasing for us at the municipality is that the share of taxes of their revenue base has grown from 12% to 30%.

Today Satka is an area with a prospering entrepreneurial climate. What is this success based on? Firstly, it is our integrated approach: we constantly analyse, monitor, and carry out market research, so as to direct our entrepreneurs to those niches which are necessary for the development of the municipal district. Furthermore, we try to use all kinds of support mechanisms; these include financial ones, administrative ones, property support, and information support. The main point is that we work by trying to look ahead. If the government is saying that we need to support leasing companies then we increase subsidies on leasing payments in our programme; if the talk is about needing to have accessible loans, we open microfinance structures at the municipal level. We have received the No. licence in the Russian Federation and today we are giving out microloans from 8% to 10%, depending on the field of activity.

A. Brechalov:

Irina, sorry for interrupting, but you told me that you had 0% interest rates.

I. Akbasheva:

The 0% interest rate is specifically for a social scheme entitled 'Clean Water' because in our region we have a problem with this issue. Nowadays we have changed over to a process of water sterilization without the use of chlorine; this project has been carried out by an entrepreneur. In order to develop expertly designed documentation, we gave him a loan with a 0% interest rate. If we talk about social projects, such as the opening of playgrounds for children's summer schools, then we gave businesses 5% loans for the purchase of materials. This is decided by the public steering group; that is, we allot those municipal funds that we have, according to our programmes. Today, there is a business-incubator programme designed to support an entrepreneurial climate operating in our municipality. We are training future entrepreneurs and giving them the opportunity to develop a client-base and develop their products so that they may understand whether their projects could work in the market or not. Because in order to start one's own business, it is not enough to simply have a desire to do so.

We have opened a remote business-incubator for acting entrepreneurs who are given the opportunity to advertise and promote their products on our site. A municipal investment fund is being registered. We will be issuing long term loans for up to five years at 10% interest. So this is how our municipal organization has been working.

But we do not feel any sense of elation from our successes. A large share of our income comes from the town's core enterprise and that which we could earn from the development of small business are niches that have already been filled. We need a reboot. We believe that this programme is very timely and so we are supporting it. I suppose that this should be not merely an integrated federal programme, but a governmental programme, which unifies the joint approaches of different government ministries of the Russian Federation. I say this because the programme takes into account not only the approach of the Ministry of Economic Development, but also infrastructure proposals and proposals from the Ministry of Finance. This is a governmental programme and we support it.

A. Brechalov:

Irina, I have a concrete question. We were in Voronezh on May 23 and to my suggestion of tax breaks, the president answered that we know our businessmen: they will re-register every two years and so on. You recall our discussion with him. What is your opinion as a person who is in touch with our businessmen?

I. Akbasheva:

When we were working on our strategy for the development of this district (we have a territory based on single, dominant enterprises, with two one-factory towns and the development of small business is one of the basic approaches for diversifying our economy) we immediately looked at small business development in terms of social-economic categories. Therefore, we believe that we cannot count on funds which have not yet been created. In any case, there should be very supportive conditions for the development of entrepreneurs.

As an example, one could look at small population centres. In order to start to develop any kind of slab-stone industry, one needs to get a business licence which costs RUB 550,000. So the starting price of something like this would amount to RUB 3 million. If we take an apiary or mini-apiary, then one needs to invest RUB 300,000 into it; if we take a small farm or a smelting company (this is a common enterprise in our region) then it is RUB 1 million. We are not talking about the need for tax holidays but about tax rebates. This is a more transparent demand. A person has acquired something, he invests in his business and goes to the tax office, shows his documents and then receives a tax rebate.

A. Brechalov:

Thank you, Irina. On May 23 my opponent in the debate was the President of the Russian Federation. Perhaps someone in the room would like to counter these tax rebate proposals? Well later we will give him the floor.

Andrei Medvedev, literally two minutes: here we have an example of real business. Andrei, in a few words, what kind of business do you have, how did you start, and what is your opinion of the suggestions that we have heard today?

A. Medvedev:

Alexander, thank you very much for giving me the chance to share my views. I am the CEO of PSM (Industrial Power Units). We produce diesel generators, diesel pump sets, and specialized technology. Our production site is in Yaroslavl. Our company is 8 years old. In these 8 years, our turnover has grown to RUB 1.6 million in 2012.

We basically face the same challenges as any other enterprise. Practically in every meeting, from plenary meetings to these Forum discussions, we always discuss interest loans and the cost of lending. Probably from the banks' point of view this seems well-founded. But those companies who are our competitors, our Chinese and European rivals, work under completely different conditions. Accordingly, we lose out to them either way on this issue.

I was very pleased that Alexander made a presentation detailing the different levels of support for small, medium, and microbusiness. What we need and what a small bakery needs are, probably, completely different instruments. For the first six or seven years of our firm we, to a large extent, really did think that it would be great if only the state would not interfere, if only it would not come and start asking questions. Probably, we made a lot of mistakes, but I would not say that there was any negative impact on the business. It is true that we also felt we had absolutely no help from the state either.

Now we have a successful project with the Yaroslavl Region. We decided to build yet another metalwork enterprise. When we went to the administration they suggested that we use the already existing industrial park and this idea sparked our interest because it does not require any global investments commensurate with a part of our turnover. The idea was really a very good one. We hope that in September this will work well. But here we have come across all the standard difficulties. For about two years we were left in limbo: we were uncertain whether the project would go ahead or not. There were a lot of court cases.

A. Brechalov:

Andrei, I am interrupting you, sorry: you began, as far as I remember, with a cowshed and six people. Nowadays the number of people who work for you is...

A. Medvedev:

I began with 15 people. Now, 300 people work in my company.

A. Brechalov:

Three hundred people. Well that is a smooth transition. You drew on your own resources. And if the industrial park had not existed would there have been such an opportunity to branch out?

A. Medvedev:

The industrial park so far is part of our future. We built three production facilities from our cowshed without external help. So far we certainly have been able to grow through our own means and our own abilities to reach where we are at now. In Russia we have one major advantage: we have a market and there are still free niches in this market. I am sure that in Europe, for example, I would not be able to grow in this manner because all market spaces have already been occupied. In your presentation you underlined the importance of having working capital. Now in 2013, in comparison with 2005 when we were starting out, the situation is such that far more working capital is required for small and medium business than eight years ago.

A. Brechalov:

Thank you.

Respected colleagues, now we come to the main part of our discussion – we can now listen to the top four speakers. We will begin, I think, with Andrei.

Andrei Nikitin, General Director of the Agency for Strategic Initiatives. We had a press conference together and discussed this topic. You have the floor.

A. Nikitin:

Thank you very much. Good morning, respected friends.

It would be extremely difficult not to subscribe to everything that has been said here. I would also have discussed the question of exports as one of the support measures for medium-sized business. One needs to produce output which is exportable and I would also have talked about some instruments in this area.

What would I like to say? The question is how one can go from an idea to making it an operational possibility. I see here a major risk: having a meaningless discussion in which our adversaries will talk about tax evasion, revenue losses, falling incomes, all these obsessions which are brought up and then, apart from these matters, it is thought that nothing more needs to be discussed.

What path can we suggest here? Firstly we need to define our KPI (Key Performance Indicators). How can what we suggest be included in presidential decrees, how will it influence the economy, and how will it shape fixed assets? We need to make an assessment of indicators and say that the results of our activities will be this and that.

I will ask the members of my agency council to support this topic as one that our agency should discuss. This will allow us to engage government officials in a mandatory dialogue and not in terms of "I want to" or "I do not want to". They must speak with us and hear our counter-arguments so we can bring them to a formal agenda. Finally, we could then effectively work on each point: how we might implement it from the point of view of federal laws and from the point of view of development institutes.

I believe that we could probably come to an agreement on experimental models – on a single one, perhaps – for two or three regions where we could, within a couple of years, show the results of the measures that we have suggested – providing of course that they could be developed in a systematic way. The greatest danger is that we begin now to select from the systemic proposals that OPORA RUSSIA has been making and replying, "Well that is possible, but here you have taxes, here you have some risks involved, so we will not undertake this." In this case there will be no positive outcome. We have a huge number of non-systemic measures which the government has financed, but, for some

reason, small businesses are not growing and not turning into medium businesses, and medium businesses are not becoming national champions. I can only support that which has been said so far. Currently we have a fine reason to discuss all this, but down the line I think we must turn these into concrete operational proposals. We need to use the good example that Boris Titov has given us, when an idea suggested at last year's Forum has already brought results. I think that before the next Forum, we already need to have begun working and be able to show some results. Thank you.

A. Brechalov:

Thank you, Andrei.

The support of the Agency for Strategic Initiatives is extremely important. We will not hide the fact that nowadays it is one of the fundamental platforms for business. That procedure that you have suggested just now should unequivocally be put into action. Thank you for the comments.

I would like to give the floor for some short comments to be made by Alexander Galushka, in so far as both he personally and Delovaya Rossiya have for a long time tried to develop various tax proposals for entrepreneurs. Alexander is also the Co-chairman of the All-Russian People's Front. We are using all the platforms – not just the Agency for Strategic Initiatives but the All-Russian People's Front as well. So, Alexander, your comments please.

A. Galushka:

Thank you very much for inviting me to take part in today's discussion.

I think that we are moving in the right direction with the right ideas and today I have heard many interesting thoughts. I have listened very attentively and I would like to talk about what is already being done, about the projects that are already being implemented. Today we are discussing the future of this project so that we can choose the best trajectory of development, the best model for implementation.

I believe that it is very important to note that in this context yesterday, the president made a lot of statements about the issues that concern all types of

businesses, whether they be micro, small, medium, or large. Taxes, tariffs, and loans concern everybody in business. Being able to do business safely also concerns everyone. On the other hand, we have a road map of the national entrepreneurial initiatives which are also linked to concrete questions: customs, construction, energy issues, supporting export, the registration of new business, the registration of property, and so on.

At the regional level we have a regional standard for the creation of a healthy investment climate. It has been approved by the corresponding State Council, but its implementation is not going too smoothly. To implement it we need to make a supreme effort. The president has stated that this must be done by the end of the year, but I am not convinced that implementing this in the majority of regions will be possible by then. I am sure that this story will drag on and will not be completed either in a year or in two years.

What exactly is lacking? To my mind, it is at the local level: the municipal level of power which is also vital for improving the business climate and enterprise development. I think that it would be useful if the programme we are discussing would focus on that level of business development. What can a municipality do to develop enterprises? What are the best and what are the worst practices which are adopted in these places? What is needed from the regions and from the federation in order to better develop these best practices and how do we rid ourselves of the worst ones? I think that focusing on this programme would be very useful.

Naturally it needs a differentiated approach. It is one case when we speak of municipalities in cities of a million people, and another case altogether when we speak about small settlements or rural communities. Besides the question which immediately arises of the local authorities' competencies and motivations. The competencies are linked to the fact that it is very difficult to find well-trained and professional people who can develop business in their own areas. Here, I think, the role of OPORA RUSSIA could be a decisive one because it can form a systemized corpus of best practices, a training programme for mayors, and become the main motive force for adopting these processes.

And now let us move on to the issue of motivation. Motivation is linked to the fact that the existing system of intergovernmental financial relations (we have spoken of this a number of times) does not stimulate the municipal levels of power to do anything for enterprise development. The majority of municipalities are subsidized entities: it is easier for them to receive subsidies from the regional budget than develop entrepreneurship in their territories. Within the framework of this programme, I think that it would be correct to look at the theme of intergovernmental budget relations from the perspective of the municipal level. Therefore, the long-standing proposal that all taxes from small business should go to local budgets acquires a particular relevance here. It would be very correct to do this.

Speaking about motivation, there is another point that must be touched upon. It is linked with the conflict of interests. Nowadays, 76% of entrepreneurs find the level of development of the competitive sphere in Russia to be unsatisfactory. Seventy-six percent have given a fail mark to the current market situation. The main problem that business sees when they talk about competition is of competition with administrative resources. One may have the best technology, provide the very best quality, and have fewer expenses, but if one is opposed by administrative resources, then one will lose no matter what. One commonly hears from entrepreneurs that leaders of local authorities and mayors are practically entrepreneurs in their own right. Or the Unitary Municipal Enterprise created by them forces out private business. It would be wonderful if the 'Nurturing SMEs in Russia' session could manage to find a solution to this. I believe that then, it would be picked up and well received by nearly all entrepreneurs.

So, that is how I see the basic focus and the key issues of this session. The focus is on local authorities. The key issues are those of competencies, motivations, the question of inter-budgetary relations, and the elimination of the conflict of interests.

Thank you.

A. Brechalov:

We have talked a lot about the regions. Sergey, let us begin with the Ulyanovsk Region. You have the floor.

S. Morozov:

Thank you very much.

First of all, I would like to thank the excellent manager of the municipality in the Chelyabinsk Region who has just spoken about his experience. As I have already told Sergei, it would be great if through your organization we could transfer such experience to the regions and, naturally, to the municipalities. If the lady would not mind I would like to send along a group of municipal managers to her as guests in the near future so that they could study this experience.

Unfortunately, in Ulyanovsk, nothing of this kind has been implemented and we still need to sort these questions out. As far as smaller towns and districts are concerned, I think that these measures would be very timely. Moreover, we all well understand that small business in municipalities is not only a question of bringing economic value but is also an important social factor. That is my first point.

Secondly, we really do work on a lot of measures to support enterprises. And as you all know these have had very positive results. But there is also a wide range of problems both on a regional and on a municipal level. We are not hiding these. So we have been in quite active talks with Boris Titov for the past few months trying to work and discuss how we can resolve one of these problems. We have a very interesting project entitled Leninskiye Gorki, I was one of its founders. In the past two days we have agreed that in the near future we will try to meet there with the investors and representatives of our business community so that we can hopefully find a solution and close this chapter, as it were.

I agree with Alexander Galushka: the basic problems are to be found at the municipal level. But to be sincere about things I would also like to remind colleagues present here that there are also some problems at the federal level too. Preparing for today's roundtable, I checked how the state acted as a legislator in 2011–2012. Some surprising things drew my attention: in 2011 legislators made 27 amendments to the second part of the Tax Code; in 2011

and in 2012, they made another 28. This concerns only that part of the Tax Code which regulates what kind of taxes there are and how they are to be paid. This is not to mention the enormous quantity of different regulations which the state has created. As a result, the rules of the game have dramatically changed over the course of one year.

I have stated various times in my region and I will repeat it here: it would be correct if the state officially established the ‘grandfather clause’ in foreign investment legislation: we have no right to worsen the situation of small business after such a decision is taken. I can provide a mass of examples because small business is a major lifeline for the regions. The regulations for insurance premiums that we have talked about have been changed. We actively rebuilt small businesses, created them, fostered them, and in less than a year since the investment payments had come into existence, we lost more than five thousand businessmen – this is an official figure! And how many of them have begun to pay lower taxes in a non-official manner? However, small businesses in our region annually create from 10 to 12 million jobs. For me this is a great life saver because the level of general unemployment, if one measures it by the standards of the International Labour Organization, is more than 5% – a very high level. This is not mentioning the taxes that small businesses pay. In 2008 when, with Sergei, we began to stimulate the Ulyanovsk Region, these businesses paid less than RUB 500 million; now in 2012 these have increased to RUB 1.7 billion.

I would like to give you another example of how we, the state powers, mistreat small businesses. In the region we brought into legislation the concept of a ‘first-time entrepreneur’. There are two points to note here. First, all that relates to the simplification procedures: the two first tax periods from the moment of registration were ‘simplified’ and for the patent system this period is one year. So we had minimal rates for patents, irrespective of what type of the business sector they related to, amounting to RUB 900. The minimal rate for the simplified system was 5%. Everyone benefitted from this. We received increased tax payments of almost 12%. But later, regions were prevented from doing this or they simply withdrew this right, and as a result an entrepreneur from the small municipal unit of Staraya Kulatka (which is situated about 300 kilometres from

the regional centre) has to now deal with exactly the same conditions as a small entrepreneur from Moscow. This is irresponsible, dishonest, and unjust.

I am using this opportunity as Andrei Nikitin, Alexander Galushka, and you, Sasha, are all present, and want to highlight the fact that we still need the support of regional leaders. I believe that they would largely support my position. We need to make sure that the so-called regulatory rules of the game are not changed.

A. Brechalov:

Thank you, Sergey.

You have stated one of the main, key principles of the programme which we are developing, especially in terms of the fiscal models: it is certainly the case that the rules of the game are changing every year. One should remember that for individual entrepreneurs the insurance premium over the past ten years has increased from RUB 1,800 to RUB 35,600. Moreover, this process is not a particularly predictable one. So, of course the fiscal model should change but maybe only once in the course of a decade.

Nikita Belykh, please. I happened to be in Kirov and spoke there with a lot of people. Everyone there told me that life was improving there. You have the floor.

N. Belykh:

Firstly, it is a good sign that we are gathered here and are discussing how to support business. I am ready to subscribe to every word that Sergey has mentioned. We are discussing and closely following what is happening.

Yet I would like to try to develop this topic in a different manner. I think that we are making a serious mistake restricting the question of supporting and developing small- and medium-sized business to purely instrumental approaches such as what the interest rates should be, or how long this or that registration or re-registration process should take. I think that the questions linked to supporting business in general, and medium business in particular, are ideological and, if you will, political issues. Therefore the main protagonists here should be Boris Titov and Alexander Galushka and the leaders of the all-Russian organizations.

Vladimir Mau, a specialist of contemporary economic history whom everyone present here today knows, likes to tell of how during the early days of the young Soviet Republic, the Council of People's Commissars was concerned with the issue of capital flight. Since then nothing has changed. Back then, when discussing the issue, it was decided that, probably, this was happening due to a lack of guarantees for safe deposits in Russia. A decree was made to ensure the safety of these deposits. They actively implemented the decree and yet capital was still exported from the country after that. So the People's Commissar had a working meeting with a group of NEPmen and asked: "Listen, what is happening? We issued a decree on the safety of deposits and yet the situation has remained the same." Then one of the participants of the meeting (history has not recorded his name) uttered a phrase that is relevant even today: "You issued a decree on the safety of the deposits and not on the safety of the depositors, and these are two different things."

So we, to a large extent, should speak about preserving the depositors because when the main media authority in the country is the press office of the Investigative Committee, it seems to me that it is a little strange to be discussing the issues of interest rates of small businesses.

Artem observes that "for some reason, we now have too few Nogotkovs and Tinkovs." On the other hand, we have many more Chichvarkins nowadays. One excludes the other. When Andrei tells us that our adversaries are conducting a meaningless discussion, I say "Come on! Investigator Bloggs is not conducting a meaningless discussion. He has no intention of listening to you and does not have any intention of discussing anything with you."

Therefore, in my opinion, today we should clearly wake up to the fact that the issues regarding the formation of a business climate are not simply a selection of a few actions to be taken. If it were a question of a set of measures for some clear processes, there would be a formula: everyone could take these measures and they would work. Unfortunately, this is not the case.

I must support Sergey in that if all the issues which we are discussing were really in the hands of the governors, then these issues would no longer exist. But if you look at the complaints that the entrepreneurs have, then you see that they rarely

relate to the regional sphere of jurisdiction. The Tax Inspectorate, and the Rospotrebnadzor (the Federal Service on Customers' Rights Protection and Human Well-being Surveillance), the police and so on – all these are federal entities. This is why for several years (Sergey is also an active participant in these proceedings) so much talk has been about decentralization: give us those powers which are not linked to state security and defence, and we will sort things out ourselves. Two years ago at the State Council, we took the relevant decisions. We discussed in detail what the Rostekhnadzor (the Federal Service for Ecological, Technological, and Nuclear Supervision) could expedite and what it could not. Of course the security of nuclear sites, for example, should remain on the federal level. And what was the result? Nothing happened. Discussing certain nuances or details today, as far as I see it, is completely irrelevant.

My next point is that as far as I see it, from the perspective of the entrepreneurial community, we seem to lack understanding of who their main counterpart is. And their main counterparts are the municipalities. We should give due respect to the Chelyabinsk Region representative because they are actually taking measures there on a municipal level that interest entrepreneurs: they are solving issues of land and so on. Therefore, it would be correct if these roundtables were attended not just by regional leaders, but by municipal leaders who could really tell us what they can do regarding this or that issue.

My next point is that I think that in Russia the entrepreneurial community does not see itself as integrated into the state as a whole. When we discuss various support measures, the conversation eventually turns to some resource which can be expressed in monetary terms or something similar. Any interest rate measures or tax incentives can always be converted into a certain sum of money. We all sooner or later come up against issues of linear programming or transport targets and understand that the bottom line is that our resources are limited. So our goal as decision makers is to take decisions that are either optimal or least harmful.

When we talk about the priorities let us participate in these general discussions together with entrepreneurial organizations. What are the priorities in our country? We, along with Sergey, will, of course, carry out presidential decrees

linked to increases in the salaries of government employees up until 2018 within the given parameters. But no one knows what we are going to sacrifice because of this. I have formed a strong impression that support mechanisms for entrepreneurs will not end up being protected, and we will have to sacrifice many of these measures.

I would like the position of the entrepreneurial community not to be a consumerist one; that is, the idea that you owe us this and should give us that. You should understand that this discussion could lead towards the question of what currently is more important: increase teachers' pay or help entrepreneurs. You must understand how society reacts to this question. You, as a public organization, must work not only with the authorities but also with society to form public opinions and explain why, in order to increase the salaries of government employees tomorrow we must aid entrepreneurs today. Unfortunately, there is no public awareness of this. This year has been declared the Year of the Entrepreneur. That being said we are putting a special emphasis on various types of measures to raise awareness of the role of enterprise so as to explain what an entrepreneur is and what his status is in society. Without this, a discussion of any of the issues we are talking about is meaningless. So I think that if society is asked today what is more important: help government employees or help entrepreneurs, I think that the answer would be clear.

Therefore, it is the task of those who understand that these things are interrelated to explain to those who do not. And I think the latter, unfortunately, is in the majority. Therefore, no one should be surprised about the reaction to the latest declaration by the law-enforcement agencies that they have arrested some businessman or other. People react positively! For the majority of citizens businessmen are all crooks and scoundrels. As long as this does not change, discussing issues such as energy connection periods is somewhat ill placed. Thank you.

A. Brechalov:

Thank you, Nikita. It is clear that we will need to continue the discussion in Kirov in the context of the Year of the Entrepreneur. There is a lot that needs to be talked about.

N. Belykh:

The Investigative Committee is an active participant of the Year of the Entrepreneur in the Kirov Region.

A. Brechalov:

We will bring it into the discussion. We have very little time but I would like to introduce Sergei Borisov to give us an expert evaluation of our discussion. Sergei, please take the floor.

S. Borisov:

Thank you. Dear colleagues, good afternoon.

We have started working on a rather difficult case – this is something which we have not yet discussed in this key. We have always had a general, common type of programme for entrepreneurs in line with the government line – that is to say, a roughly hewed programme. We had certain wishes and our enterprises had some of their own; we agreed with some things and disagreed with others.

We have been able to get some things done in mean time, and I would not belittle what has already been carried out. Let us recall the basic law on small business and Law No. 294 on inspections, which reduced inspections by 70% and allowed many businesses to breathe more easily. We nevertheless managed to adjust the regulatory effect on businesses and have had a positive impact on the drafting of laws. I think that this points to some very positive experiences in the past few years. I believe that a fairly good tax system for small business has been implemented; the Unified Act on Imputed Income has been introduced, as well as the simplified tax rules which enterprises are actively using; and, the patent system which we have wanted for so many years has come into force. And all this has been working well.

But today the main question concerns skilled labour which small business cannot find. We should think about this. Today the discussion is about social earnings. The situation with investment premiums is a tragedy, I believe – a genuine state of emergency in recent times. We have basically switched on the red danger lights by putting a stop to huge amounts of people entering entrepreneurship. We have set a complete bar, such a qualification that millions of citizens who, I believe, would have liked to try their hand at entrepreneurship cannot overcome. At the same time we have heard from the mouths of the authorities completely unbelievable figures: more than 20 million of our citizens are working outside the legal framework. What is happening? Are we paralysed or have we been doing things wrongly in recent years? Today 17.5 million citizens are officially working in small business and over 20 million of the able-bodied population are simply not in the statistics. This is what we need to work on. This is like a blue ocean in an uncontested market space, which is still free of any attempt to grab new customers, whom we have sent down to that so-called red ocean where the sharks have already turned the waters bloody due to the competition. Many experts have been using these expressions.

We can add other things here which are artificially binding us to this situation – these are mandatory accounting and the complete confusion of the cadastral value of land which excludes many from business. We still have not given an answer to the issue of cross-subsidization. The threat that is hanging over small business amounts to about RUB 60 billion – this is the surcharge we pay to ease living conditions for the population. Large companies have skilfully avoided these charges. I would add here a point about the regulations of the Central Bank that hinder us: as a result of credit agency actions, they send many companies into the risk zones because of far-fetched risk requirements.

Small business has been marginalized from trade. Take cigarettes and tobacco. Tobacco is an evil. I am not a smoker and I believe that the less that people smoke the healthier they will be. Yet why do Italy, France, and Spain give small business the possibility to distribute socially-useful products and, thanks to this, create employment?

The programme which we are beginning to consider and develop is a new and daring one. I agree with Andrei Nikitin: we need to seriously develop some evidence that this programme can work. We must show the authorities that those zero interest rates, the flexibility that we are talking about, will not bring about falling revenues but are in fact an investment in tomorrow and the day after tomorrow. If we do not do this, there will be no discussing with us.

We must pose this question in a completely new form. We must raise the flag with which we embarked on a new era with the newly elected President Vladimir Putin who declared after a consultation with us that by 2020 (and we do not have much time left), 50% of the able-bodied population should be working in small and medium business and that they should contribute to 40–45% of the GDP. We must act in the framework of this programme. I hope that we will continue on this path even though now people are starting to shred up this programme. The regions for some reason are not proceeding with it. At the same time, Satkinsky District is ready to utilize new funds for the promotion of their own innovation-based programmes for enterprise development, but their funds are being cut. We need to invite those who can fine tune these programmes instead of using an axe to cut them down.

Finally, the most important thing that I need to get off my chest is that we need to get the business community to work as one again. We have made attempts in recent years; we set up a Coordination Council for Russian Entrepreneurial Organizations. For a number of reasons it was not successful; there were a lot of conflicts. We exert ourselves more with pulling the chestnuts from the fire, supposedly for the popularization of certain organizations and business associations. We have forgotten what our intended purpose and our true nature should be. What do entrepreneurs expect from us – or at least a large number of businessmen? Nikita was absolutely right in saying that we do not at all try to popularize entrepreneurship. I would say in fact that the important thing now is not so much to popularize it but to agitate for it. A systematic campaign.

Crooks and thieves... and what were the statistics! Boris was right to mention this, and there was a sociological survey. Colleagues, the population was against

these measures. This was because we do not broadcast the stories about entrepreneurs who achieve great successes.

Irina talked about the question of rebooting: indeed, it is time to reboot our business community. We need to sit behind one table and draft a general programme for enterprise development. In what way does a large business start to work with us in the field of subcontracting and outsourcing? I have always been categorically against the idea that business should involve itself in politics! But maybe within the People's Front, it is time to immediately open up a second front in a struggle for enterprise and defend our interests all together.

Would the programme of the Agency of Strategic Initiatives be our road map? The road map is already becoming a hackneyed notion. We have managed to quickly soil such a fine idea, which has taken root in many foreign societies. It seems to sound like a panacea here, and yet the heart of the question stays the same. Let us call this a programme. Let us create a united and general programme to struggle for the reconstitution of Russian enterprise.

If we do not do this in the near future, we can only expect more disillusionment in our society. An infinite number of municipalities nowadays are living by squeezing money out of business in all sorts of underhanded ways. It is in their blood: not to develop their activity like Satkinsky District does but to squeeze extra funds from you, from governors and elsewhere – this craftiness is a kind of substitute for developing their economy. I think that we should very seriously look at these approaches and finally join forces in a united front. Thank you.

A. Brechalov:

Colleagues I shall ask organizers to give us just another five minutes. We have some very important speeches which should only last for a minute to a minute and a half. I must give Andrei Sharonov the floor. Andrei, briefly: is the topic of the state as an accelerator a relevant topic for Russia or not?

A. Sharonov:

Thank you, Alexander. I will very briefly give my view on three positions I have heard here. I liked very much the positions of Alexander Galushka and Nikita Belykh.

On the topic of the road map which the ASI has developed with the participation of an entrepreneurial alliance, I would say that on the one hand, I, as a government official, now have to write supplementary reports. However, on the other hand, I agree that it is an attempt – perhaps not a novel one, but a systematic one – to formalize requirements, which includes the option for a further review of actions taken by the regions and by the governors. This takes us away from the attitude of “I am in favour of everything good and against everything bad,” which the regions had toward the field of small business in the past, and leads us towards concrete professional actions. So, we are on the right course but we need to work on it.

Secondly, I fully agree with Nikita regarding the image of the entrepreneur. Unfortunately the authorities continue to support the paradigm in society from which it has emerged (we have a bad legacy in this sense) based on the idea that all good comes from the government, from the authorities. Often one travels to the regions and sees a large poster with the portrait of the governor and on the poster is written “A gift from the governor to the district” – it usually refers to some new venue, a sports complex, and so on. When you understand the nature of this ‘gift’ you start to feel uncomfortable. Furthermore, it is precisely because of this that the image of an entrepreneur as a crook and a thief is created as though all that is good comes from the authorities. With these actions that have been proposed, including responsible and directed measures, then people’s worldviews will begin to change.

I also completely agree with the third issue regarding stimuli for municipalities. I was talking with a German company, a middle-sized business which was expanding and entering the Russian market. It went to a Siberian city (I will not say which one) as well as to China to start production and begin operating in local markets. And, in the words of the representative of this company, he had two completely different experiences. He told us that when he went to China he was asked, “What can we do so that you establish your company here?” Here in

Russia, in this Siberian city, he was asked, “What can you do for us so that we allow you to establish your company here?” In short, this explains everything. This is possible only when the head of the municipality is not responsible for revenues. He is completely indifferent to whether or not there is a company there which is a source of revenue. Because he knows that he can turn to the governor, to the federal authorities and say that he is poor but clever, and they will give him the funds. Until the time that we tighten the requirements for KPI on that level, until the time that they do not stop running around and looking for who will create another couple of vacancies and contribute three more kopecks to the budget which we have given them (this is very important: in Moscow this process has already begun; we have substantially redistributed our revenue base and all revenue which comes from patents, from operations regarding the detection of illegal renting and non-payment of taxes), until that time, all this will go on with the municipalities, 100% of it. We are waiting for things to start moving. And in parallel to these carrots and sticks is the revenue base growth indicator. Thank you.

A. Brechalov:

Thank you very much, Andrei. Michael Harms, we will give you literally a minute, all the more so because we mentioned your intervention. Please.

M. Harms:

Thank you. I would like to say that there are, of course, also other examples. Sergey Morozov is always asking, “What can we do for you?” So I would say that in the regions there are some excellent examples. But on a federal level, I believe, it is really necessary to create equal conditions for foreign-owned medium-sized business too, and in this regard I do not completely understand the limitations that are present in the law to which you, Sergey, have referred. There, the share of foreign equity in small enterprises is limited to 25%. The new law which is being discussed in the Russian parliament is to do away with this provision only for individuals and not for legal entities. I believe that those limitations which already exist are sufficient – that among the founders there

should not be entities linked to large business so that these businesses are not simply creating daughter companies. I would not draw any distinctions here between foreign and Russian business because I know how actively medium-sized entrepreneurs from Germany work here and they, of course, would also use such support measures. There are no such differences in Europe.

One minor remark regarding the Forum – we speak about the territory of life. The territory of life at the St. Petersburg International Economic Forum for medium-sized business is contracting because the prices here are far too high. It is becoming more difficult to come here and one needs to pay attention to this too.

From the floor:

The regions support you in this!

A. Brechalov:

Michael, I would add that such a platform for small business has arisen here for the very first time. Dear organizers! Please forgive us, we have not been able to pack all this into an hour and fifteen minutes; because for all the years that we have had the Forum, we have only finally managed to discuss this topic for the very first time this year. Peter, looking at the expression on your face, what you have heard must make you want to live and work in the Satkinsky district. Do you have any short observation or comments?

P. Lindholm:

I would like to congratulate you very briefly for the title, “Business for Life”. I hope we can also help the life of businesses one day, not only look for the business of life.

I would like to go with a microeconomic level, if you do not mind. In my work, we focus on innovation, and I would like to take two examples, one in honour of our German friends and one in honour of Sergey Ivanovich. With Sergey, we embarked on a two-year programme to address what we believe is the most important thing: the quality of the support delivered to companies. In Russia, you

have everything. You have the venture farms, you have the banks, everything is there, as it is everywhere else in the world, but it does not work.

One of the things we are doing now with Sergey Ivanovich and his team is to try to raise the profile of people. But we took it from one angle, one which I hope that Sergey still agrees with, which is that if you want to have an innovative region, let us start by having an innovative administration. I am very happy that he is here and he cannot contradict me, because one of the first tasks we will engage in is to try to work with his administration.

The second example, since I do not have a lot of time, is a project we have been running for some years in Karlsruhe. For five years, we have been training people, entrepreneurs, professors at universities, and students on the concept of what it means to be entrepreneurial: not to be an entrepreneur, just entrepreneurial. After five years, the number of entrepreneurs had tripled. But the idea was really to change the culture. If I had time, I would share that with you, and I think that Russia has the same potential as Karlsruhe, honestly. Changing the culture is a long process where you have to work professionally with the different players, as Sergey said very well earlier.

There are many examples around the world that could be applicable here as well. Good luck.

A. Brechalov:

Peter, thank you very much. Unfortunately we have run out of time. Let us take some, but very briefly.

From the floor:

A very short question to the Governor of Ulyanovsk Region, Sergey Morozov. The picture you paint seems all very wonderful. The Ulyanovsk Region is ahead of the whole world for investments. I am a real investor in the economy of the Ulyanovsk Region; I invested more than RUB 500 million there by the end of 2009. As a result the project was subjected to administrative pressure; before that, the rent rate on land was increased more than thirtyfold and no prospects

for development that Sergey had promised earlier were implemented. I would ask Sergey to give his evaluation of this factor: there are support measures and there are measures of administrative pressure. Let Sergey answer this question: how does he explain his selectiveness in relation to different projects in the Ulyanovsk Region?

S. Morozov:

I shall explain very briefly. We have spoken a lot today about the fact that in society a very negative opinion has been formed about entrepreneurs and this attitude has not come from nowhere. This is in many ways the result of entrepreneurs – for example, your company and you personally. When implementing your project you infringed on all that was possible to infringe on in the federal law in power, and this included contravening the existing legislation in a very dangerous area prone to landslides. Moreover, you and your associate, to put it mildly, offended each other, as a result of which the enterprise became bankrupt and now you are saying, “Give us back our land.” I say: no. First we sign a concrete and rigorous agreement about exactly what you will do on that plot of land in terms of your investment projects, and thereby you will fulfil your own obligations. And we at the same time will fulfil our own. Because out of the 136 investment projects not one of them makes complaints, apart from you. So as we say, you should not blame the mirror for showing a crooked face.

From the floor:

The permission for construction was received, so I would place in question...

A. Brechalov:

Sergey, thank you. Respected colleagues, I think that we shall continue our dialogue in Moscow this autumn when we will take stock of our programme. Thank you very much.