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"Entry Point" into the Future

Moscow, a thriving metropolis, invites foreign partners to move along the path of development together

According to data published in a report by the United Nations Conference on Trade and Development (UNCTAD), the influx of foreign direct investment from friendly countries into the Russian Federation increased 11.5 times last year, reaching $25.3 billion.

The Ministry of Economy of Russia explained that the current dynamics of rapid investment volume growth reflect the replacement of departed Western capital. A promising market has partially opened up, and new players are naturally stepping in to fill it.

Moscow is considered one of the most attractive markets in Russia. Today, the capital's share accounts for up to 21% of the total investment volume in Russia.

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The city has consistently ranked first among all regions of the country for the past nine years in the National Rating of the Investment Climate, compiled annually by the Agency for Strategic Initiatives (ASI).

Time of Radical Change

The language of statistics is concise and dry, but comparisons of different periods can sometimes be highly eloquent, even for people without a background in economics. They provide a sense of the sheer scale of change. Over recent years, the economy of the Russian capital has transformed radically.

Sixteen years ago, its growth rates were lower than the national average.

Moscow's share in the country's fixed capital investments was only 8%. Industrial production was declining—about 20% of factories were unprofitable.

Moscow's budget revenues only covered the financing of the most urgent current needs. There was a lack of funds for development.

Today, Moscow has become the world's second-largest urban economy. The capital's share in the all-Russian economy reaches 22%, with its growth rates exceeding the national average by more than two times.

"Moscow's leading position in the National Rating of the Investment Climate is expected," said Sergey Serebrennikov, Doctor of Economics. "High-tech manufacturing facilities regularly launch in Moscow, and favorable economic conditions have been established. The Technopolis Moscow Special Economic Zone operates effectively, providing businesses with all the opportunities and resources for establishment and development—from ready-to-use production sites to impressive tax incentives. In the capital, the process of providing business support measures is finely tuned".

Business Support System

The distinct feature of Moscow's approach to creating a favorable investment climate in the metropolis lies in the systemic framework adopted by the city authorities, who actively collaborate with entrepreneurs and city residents.

This was highlighted by Moscow Mayor Sergey Sobyanin when commenting on the indicators of the Russian capital's

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investment attractiveness. "This is the result of active, real-time work," he stated, "which helps us genuinely improve all processes and attract investors. It is about an ongoing, live dialogue with businesses, entrepreneurs, and people".

Today, the Moscow investment system encompasses 70 support measures for small, medium, and large businesses, alongside more than 200 services and tools. These include financial subsidies, subsidized loans, grants, reduced tax rates, as well as free consulting and educational services.

Here are just a few examples. Moscow was the first city in Russia to implement regional programs for subsidized lending and factoring. Throughout the duration of these initiatives, entrepreneurs have concluded over 38,400 contracts, attracting more than five billion dollars at preferential interest rates.

The Moscow Guarantee Fund provides sureties to entrepreneurs operating in priority sectors of the economy—including manufacturing, information and high technologies, innovation, exports, and creative industries—when they apply to banks for loans.

During the first six months of this year, the fund issued more than two thousand sureties, which is nearly four times more than in the previous year. This enabled entrepreneurs to attract over $230 million in debt financing.

Investors also have access to soft loans from the Moscow Fund for Industry and Entrepreneurship Development. This year, the fund's capacity increased by nearly a quarter of a billion dollars.

Companies can use these funds to replenish working capital, purchase equipment, and subsidize a portion of interest rates on loans taken out for the construction and reconstruction of facilities.

Companies that open production facilities in the Technopolis Moscow Special Economic Zone (SEZ) can, in particular, significantly reduce their regional tax burden; for example, the income tax rate is just two percent. A moratorium on rent indexation is now in place for SEZ residents.

To create a comfortable business environment, Moscow has carried out a large-scale optimization and digitalization of administrative procedures. Digital technologies significantly simplify and accelerate all business processes.

According to Sobyanin, the conditions established—"thanks to the constant fine-tuning of business support measures, the

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implementation of digital services, and the improvement of administrative procedures"—have turned Moscow into one of the most attractive investment targets in Russia.

Money goes where it is profitable

This principle, along with reduced competition in Russia from major Western corporations, has sparked a noticeable surge of interest from the rapidly developing national capital of the so-called "Global South".

Among these nations, investors from the Gulf States—particularly the United Arab Emirates (UAE)—stand out for their exceptionally high level of activity.

The total volume of direct investment from the UAE into Russia has grown to $17 billion in recent years. The Emirates now rank third among the key investor countries in the Russian economy. Moscow accounts for nearly 50% of all accumulated foreign investment entering Russia from the UAE.

And this makes perfect sense. Moscow's system of support and guarantees for domestic businesses also extends to friendly foreign investors looking to localize their production in the Russian capital. For instance, companies can secure special statuses that reduce their regional tax burden by 17% to 25%.

Investors from the UAE have been granted access to bidding for the construction of major commercial, public, and research complexes in Moscow.

The city offers Arabic partners the opportunity to participate in knowledge-intensive projects for the development of semiconductors, microchips, motherboards, and optical components, as well as the creation of innovative medicines, medical equipment, and laboratory complexes.

Projects underway at the "Rudnevo" industrial park are open for their participation. This park has become the Russian hub for the development of civil unmanned aerial systems.

Artem Barashev, Director of the Moscow City Investment Agency, noted that Moscow welcomes any business investment initiatives that help the capital develop.

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"In addition to tax incentives and financial assistance, Moscow is ready to offer Arab partners various mechanisms of public-private partnership (PPP)," he said. "For instance, concession agreements that allow investors to generate revenue from operating city facilities, life-cycle contracts that ensure long-term capacity utilization for suppliers, and offset contracts that guarantee product sales for companies in exchange for localizing production in the capital".

Currently, the volume of Moscow's PPP contracts exceeds 13.5 billion dollars. Last year alone, it grew by more than 1.2 billion.

High technologies take priority

In Moscow, investors from the UAE are primarily interested in investment projects related to high technologies. They actively participate in the joint creation of end-to-end technologies, the development of the IT sector, and the financing of innovative infrastructure.

The results of cooperation in this area also contribute to the more successful implementation of the UAE's ambitious program to digitalize all aspects of life. The UAE intends to spend several trillion dollars on its execution.

To achieve these goals, the Emirates actively cooperate with Moscow developers of cloud computing technologies, create software for managing modern data centers, and integrate AI solutions from Moscow companies into the UAE ecosystem.

Moscow IT vendors are adapting cybersecurity software to meet the sovereignty requirements of Middle Eastern countries.

Under agreements between Moscow's innovation institutes and Dubai Internet City, a platform has been established for testing pilot startup projects, mutual technology transfer, and co-financing.

"Our priority is to find new points of convergence with the United Arab Emirates in localizing high-tech manufacturing, exchanging industrial development experience, and entering new markets," said Anatoly Garbuzov, Minister of the Moscow Government and Head of the City Department of Investment and Industrial Policy.

Alexander Chertkov

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