

Approach to investment projects planning

The development of the Russian Railways investment programme is based on the General Plan of Railway Network Development by 2020, the cargo element of which has been developed on the basis of submissions received from the shipping companies.

In the calculations of the cargo base, the available forecasts and targets contained in the government and regional strategic documents, as well as data from international organisations and institutions (International Monetary Fund, World Bank and others) and leading scientific organisations (both domestic and international) are taken into account. The forecasting also takes into account plans for the development of related modes of transport, plans of individual stevedoring organisations from Russian seaports, and programmes and strategies of Russian Federation entities.

The quality of cargo base forecasting is largely improved through the use of transport and economic data or interregional and intersector freight transportation data. Russian Railways carries out this work in collaboration with industry institutes, the Institute of Economic Forecasting of the Russian Academy of Sciences and the Council for the Study of Productive Forces.

A three-tiered approach to developing the investment programme has been developed. It allows for highly accurate forecasts of railway infrastructure development and, in turn, shapes the Russian Railways investment programme.

When determining its investment programme, Russian Railways uses the principle of consistency of financing sources and the investment programme structure aimed at:

- ▶ Renewal of fixed assets at the level of depreciation deductions;
- ▶ Commercially viable projects at the level of the volume of borrowed funds;
- ▶ Commercially inefficient projects at the level of the volume of state support.

ALL INVESTMENT PROJECTS OF RUSSIAN RAILWAYS, ARE DIVIDED BY PAYBACK PERIOD AND COMMERCIAL EFFICIENCY INTO THREE CATEGORIES:

1st category

**10-15 YEARS
PAYBACK PERIOD**

Projects in which payback is achieved within 10-15 years, and which Russian Railways is ready to finance from its own cash flow and borrowings within the allowable debt burden.

2nd category

**15-30 YEARS
PAYBACK PERIOD**

Projects for which the payback period is 15-30 years. These projects cannot be currently financed by Russian Railways by borrowing, as there are no loans meeting these terms available on the market. These projects are financed through the issuance of infrastructure bonds.

3rd category

**SUBSIDISED
(WITHOUT
POSSIBILITY OF
DEBT FINANCING)**

Projects that are inappropriate for all types of debt financing. They are financed only through budgetary sources, since only the state budget can return the invested funds due to the multiplier budget effect.