

The cluster approach implies creation of enterprises covering all production stages from harvesting to final products manufacturing. The following complementary materials are supposed to be used: resins, reagents, glass and glass products, cardboard, paper packaging, furniture upholstery, tape trimming, non-wovens (bicomponent), foam rubber (or substitutes), dyes, varnishes, hardware (nails, screws, etc.), europallets.

Location of Mogilev FEZ in close proximity to the Russian border, availability of railways, highways and the airport assist effective customs clearance and handling of goods.

A6. Environmental summary:

Application of modern technology will cause minimal environmental effect

A7. Possible obstacles / problems / risk assessment:

The project itself is characterized by low risks. Implementation of the project in Mogilev Free Economic Zone minimizes risks. Availability of qualified labor lowers production risks.

Investment project "Organization of production of furniture hardware on the territory of FEZ "Mogilev"

A. Project Opportunity Description

A1. Project Name:

Organization of production of furniture hardware on the territory of FEZ "Mogilev"

a. Short name:

Production of furniture hardware

b. Full name:

Organization of high-tech production of furniture hardware on the territory of FEZ "Mogilev" with the capacity of 40,000 tons/year.

c. Summary description:

The project implies purchase of complex equipment and setup of a modern high-tech production of furniture hardware on the territory of FEZ "Mogilev". The following production lines are supposed to be set up:

- production of wide range of front and connecting hardware, as well as complex accessories from such materials as plastic, metal, wood and combination of these materials;
- surface treatment, such as polishing, painting, vacuum sputtering, galvanization, etc.
- tooling production of complex dies and die moulds for the main production;
- assembly shops.

A2. Project status:

Pre-investment stage. Search for investor is being carried out.

A3. Organizations involved and their roles (contact persons, telephone, fax, e-mail, web-site):

Mogilev FEZ Administration is the project initiator.
 63, Leninskaya str., Mogilev, 212030 Republic of Belarus
 Andrey Kiselev – Head of Investments and Foreign Economic Affairs Dpt.
 Tel.: (+375 222) 31-19-81
 Fax: (+375 222) 31-15-81
 e-mail: info@fezmogilev.by; www.fezmogilev.by

A4. Project description (approaches, tasks, elements, results, stages, terms, general financing, advantages, influence on transient processes in economy, etc.):

Implementation of the project implies establishment of a foreign enterprise with further registration as a resident of FEZ "Mogilev".

It's proposed to implement the project either in idle production premises of Open Joint-Stock Company «Mogilevkhimvolokno» (all engineering infrastructure is available) or on vacant land plots.

The major share of plastic, metal and wooden products might be constituted by hinges, sliding guides, metaboxes, fasteners, functional hardware, knobs, brackets and other furniture hardware, which is imported into the Republic of Belarus in considerable quantities.

Quality of products to be assured by purchase of modern high-productive equipment.

The total output will supposedly amount to at least 40,000 tons per year. Production of furniture hardware on the territory of FEZ "Mogilev" will allow to meet the Belarusian demand, and to save considerable amount of foreign currency paid for imported goods. It is assumed that the project will be financed by investor. Implementation of the project in FEZ "Mogilev" will allow

to increase its economic efficiency because of preferences provided to residents of FEZ (exemption from custom duties and VAT on imported goods, some taxes levied upon turnover, income tax (for 5 years), some local taxes and duties, etc.).

A4a. Total project cost (mln. USD)
14-16

A5. Background / history / overall programme / related or similar projects:

Presently, demand for furniture hardware in the Republic of Belarus is mainly satisfied with import supplies.

Importance of the project is motivated by insufficient production capacity and low quality of furniture hardware in CIS countries, as well as narrow range of products manufactured by domestic suppliers.

The annual demand of the Belarusian market is more than USD 40 mln., the market is rapidly growing.

A6. Environmental impact summary:

Use of modern equipment and technology allows to reduce total amount of emissions to the environment.

A7. Possible obstacles / problems / risk assessment:

The project is characterized by low risk connected with possible increase of raw materials costs. Implementation of the project under conditions of FEZ "Mogilev" will minimize such kind of risks.

A8. Project implementation / recoupment period (years):

To be defined by investor.

A9. Project related branch of industry:

Not defined.

B. Capital Cost Items (total investment required for project implementation):

B1. Physical components:

Development of business-plan and design estimates, construction of production and storage facilities, purchase and mounting of equipment.

B2. Capital costs (mln. USD):

14(16)

B3. Sub-projects on location:

B4. Project costs (mln. USD):

C. Capital resources available from project initiators (owners, contributors, sponsors):

C1. Type of resources (grants, investment, share in capital/ assets, etc.):

C2. Amount (mln. USD):

D. Required investment, financing gaps:

D1. Financing required, type of financial assistance required:

Investor is required, participation of several investors in realization of the project is possible.

D2. Sources of financing:	D3. Type of financial instrument:	D4. Amount (mln. USD):
Investor's funds	Direct foreign investment, loan	14-16
D5. Financial organizations involved in project implementation:		
Were not considered.		

E. Demand (customers) and revenues:

E1. Type of customers, volumes, pricing, revenues, quantifiable benefits / savings:

The products are meant to be sold on the domestic market, exported to Russia, Ukraine, other CIS countries and Baltic states.

The market of furniture hardware is growing steadily. More than 10,000 tons of various furniture hardware are currently imported into the Republic of Belarus. Market research in the Russian Federation showed that more than 67% of furniture hardware is imported (above USD 1 bn.).

E2. Sources of financing:

E3. Revenues (sales) (mln. USD):

Product sales revenues

Above 100

F. Operating and Maintenance Costs:

F1. Cost components, amortization policy, production management, etc.:

At investor's discretion.

F2. Cost Item:

F3. Amount (mln. USD):

To be defined by investor.

To be defined by investor.

G. Net Income:

G1. Net Income Value:

G2. Amount (mln. USD):

Net income

Above 30

H. Project information source:

H1. This form was filled in by (name, position):

Sergei Mirankov, senior specialist, Investments and Foreign Economic Affairs Dpt., Mogilev FEZ Administration

H2. Organization (name and address):

Mogilev FEZ Administration
63, Leminskaya str., Mogilev, 212030 Republic of Belarus

H3. Tel / Fax / E-mail:

Tel. (+375 222) 31-19-81, fax: (+375 222) 31-15-81, e-mail: info@fezmogilev.by

H4. Date:

January, 2010

H5. Project departmental identity:

Mogilev Free Economic Zone Administration