Guide to investment
The Republic of North Ossetia–Alania
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Letter of welcome from the Head of the Republic of North Ossetia–Alania

Today’s economic development environment, even with the impact of the global crisis, is cardinaly different from the situation in preceding years. Both official statistics and leading social and economic indicators show that North Ossetia is now one of the most stable regions in Southern Russia in terms of economic growth and development.

The republic offers the essential conditions to attract and maintain investors’ interest. North Ossetia’s competitive advantages include an extensive transport infrastructure, a well-developed communications network, established financial institutions, highly qualified human resources and an attractive legislation framework.

Presentations of North Ossetia’s major investment proposals at international economic forums have sparked genuine interest among both Russian and global companies. A number of well-publicised projects are already under way in the tourism, hydro power, non-ferrous metals, woodworking, food and processing, construction materials and electronics industries.

We are open to cooperation and ready for a serious and honest dialogue with businesses that are considering the republic as a location for implementing promising ideas and mobilising resources.

We seek to work together with all those who wish to make a difference for their country and their people.

I wish prosperity and success to all.

Taimuras D. Mamsurov
Head of the Republic of North Ossetia–Alania
Foreword
by PwC Russia
Managing Partner

The Republic of North Ossetia–Alania has a well-developed manufacturing sector and diversified agriculture, and possesses the essential infrastructure for investment. The republic has been taking comprehensive measures to ensure an effective investment policy, create a favourable investment climate and improve the relevant legislative framework.

For investors, one of the most promising areas is the development of resort, recreational and tourism facilities. A favourable climate, diverse landscape and the natural beauty of the Greater Caucasus mountain range as well as healing mineral springs and developed infrastructure throughout North Ossetia provide extensive opportunities for expanding the local tourism and recreation industry while boosting its investment attractiveness. That is why the Mamison Project, designed by OAO North Caucasus Resorts, has been included in the North Caucasus Federal District tourism and recreational cluster.

This guide is meant to help potential investors assess the most promising sectors of North Ossetia–Alania’s economy. We have prepared this publication jointly with the Republic of North Ossetia–Alania’s Permanent Representation to the President of the Russian Federation.

David Gray
Managing Partner PwC Russia
Overview of the Republic of North Ossetia–Alania (RNO–Alania)

**Geography**

The Republic of North Ossetia–Alania (RNO–Alania) is located in Russia’s North Caucasus region and is one of the Russian Federation’s smaller constituent regions. The republic has a land area of 8,000 km and a population of 712,500 people.

**Transport routes**

North Ossetia’s location is unique from the perspective of both transport and geography. It is traversed by the two largest Transcaucasus motorways, the Georgian Military Road and the Transcaucasus Motor Road, as well as the Kavkaz Federal Motorway and a section of the North Caucasus Railway. These roads link the Russian Federation with the South Caucasus and the Middle East.

Vladikavkaz Airport serves both international and domestic Russian routes. In March 2010, the Kzbg–Verkhny Lars border post on the Georgian–Russian land frontier resumed operation after a three–year hiatus. The shortest and fastest route from Russia to Armenia and Turkey runs through this border post.

**Population**

North Ossetia is one of the most densely–populated regions in Russia. Population density is around 89.2 people per 1 km², or 10 times the average density in Russia. About 70 percent of the population lives in urban areas. The capital is Vladikavkaz (330,000 people).

Other major cities are Mozdok (38,700), Beslan (36,700) and Alagir (20,900).

Over 100 nationalities and ethnicities live in North Ossetia, including Ossetians (62.7% of the population), Russians (23.2%), Ingush (3%), Armenians (2.4%) and others (8.7%).

In 2011, real household income in RNO–Alania grew by 9.4%.
Climate
The climate of North Ossetia–Alania is moderately continental but rather dry in the flatlands. Winters are short and mild while summers are hot. The average long-term annual temperature is +4.8°C and +20.1°C in January and July, respectively. The average annual temperature is +8.2°C. Overall annual precipitation in the republic is around 840–850 mm, of which 300 to 400 mm falls in the steppe zone and 900 to 1200 mm falls in the foothills. There are 260 sunny days per year. The average annual air humidity is 65–80%.

North Ossetia’s climate permits the successful development of many industries, while the republic’s subsoil, with its wealth of mineral resources, offers the requisite conditions for economic development.

Resources
The most common mineral resources are polymetallic ores containing mostly zinc and lead. Identified and proven deposits of limestone, dolomites, marble and basalt are of significant practical interest. Heavy construction materials (clay, sand, broken natural stone, gravel) are widely used.

The republic boasts two oil fields with total potential reserves of 10 million tonnes.

Another unique feature of the republic is its diverse variety of mineral waters. Currently, there are around 300 springs and wells of acidulous, chloride hydrocarbonate, sodium and boron waters.

Energy
North Ossetia–Alania has significant energy potential due to its numerous mountain rivers, which currently power six hydroelectric plants. In 2011, a cascade of Zaramagsky hydro power plants (GES–1) with an aggregate capacity of 352 MW and average annual output of 812 million kWh was put in operation. Plans also call for building small hydro power plants on the republic’s mountain streams.

To make the republic more attractive for investment, the RNO–Alania Government has worked to encourage business development through giving tax exemptions to investors. In addition, a system of RNO–Alania Government guarantees has helped keep investment risks low. Other benefits are provided under RNO-Alania’s investment legislation.
**Culture**

North Ossetia has an original, rich and diverse culture and this a time of intensive development in music, visual arts, theatre and cinema.

Choreography is one of the most distinctive features of Ossetian culture. The republic boasts numerous professional and amateur dance groups, such as – The State Academic Folk Dance Ensemble "Alan", which has represented North Ossetia and Russia at many international festivals and contests.

There are several orchestras in the region, including a symphony orchestra, a folk orchestra, a jazz orchestra, in addition to two choral ensembles: the Alania Chamber Choir led by A. Khodova and the Arion Choir led by O. Janaeva.

North Ossetia’s theatrical traditions date back to 1871 when the first theatre opened in Vladikavkaz. There are six theatres currently operating in North Ossetia: The V. Tsapkhiaev North Ossetian State Academic Theatre, the E. Vakhtangov Russian Academic Theatre, the North Ossetian State Opera and Ballet Theatre, the Digor State Drama Theatre, the Republic’s Theatre for Children and Young People "Sabi", and the Narty State Theatre.

Since the 1990s, Vladikavkaz has become a truly interregional cultural hub, hosting a variety of music contests and festivals. The famous Mariinsky Theatre directed by Valery Gergiev shows performances involving some of its finest performers. Larisa Gergieva heads the International Arts Festival "Visiting Larisa Gergieva".

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**Building Valery Gergiev Caucasus Musical and Cultural Centre in Vladikavkaz**

Valery Gergiev Caucasus Musical and Cultural Centre will be built in Vladikavkaz. It will foster the continued development of culture and arts in the Republic of North Ossetia–Alania and in the Southern Federal District, and it will also hold events involving leading Russian and international performers, encourage children to get involved, educate young culture professionals, and improve the cultural facilities on offer to locals.

The London–based architects Foster + Partners created the architectural concept of the centre, which, it is hoped, will grow to become one of the finest institutions of its kind in Russia and even worldwide. The project involves the construction of a multifunctional 1,200-seat concert hall with natural acoustics; a small 300-seat hall; a 200-seat cinema; an art gallery with a library and a media archive; a school of music and arts; a combined art gallery and studio space; cafés, restaurants, and shops.

The project will be publicly funded at the Federal and Republic level.

The investment will amount to RUB 4,671 million.
Education and innovation potential

The Republic of North Ossetia–Alania is noted for its highly educated labour force. Given the republic’s infrastructure of higher educational institutions and teaching faculty, this positive trend is likely to continue over the long term. In future, RNO-Alania’s higher educational community could play a critical coordinating role in training skilled personnel for neighbouring regions of the North Caucasus.

In 2011, the North Caucasus Mining and Metals Institute opened a business incubator with 200 work spaces for employees, graduate students and university students who are implementing their own innovation-driven business projects. Work spaces in the business incubator facility are leased out free of charge for terms of three years or less.

Alternative energy R&D laboratories have been set up at two of the republic’s higher educational institutions, the North Caucasus Mining and Metals Institute and North Ossetia State University.

Special focus has been given to creating an environment for transitioning to an innovation-driven economic development path as a fundamental principle in RNO-Alania’s long-term social and economic development strategy.

North Ossetia–Alania enjoys strong scientific and technological potential combined with skilled research, engineering and production personnel, thus easing the way for the technological modernisation of the republic’s main industries and economic sectors.

The republic’s innovation policy is being implemented on a comprehensive basis through the efforts of researchers and innovators at three universities, one academy, ten private higher educational institutions and six R&D institutes.

The republic is home to the Vladikavkaz R&D Centre of the Russian Academy of Sciences and the RNO–Alania Government, the International Innovation Technology Research Centre for the Sustainable Development of Mountainous Areas run by the North Caucasus Mining and Metals Institute (State Technological University), the Nanostructures Physics and Technology Shared Knowledge Centre based at North Ossetia State University and the Technology Transfer Centre.

Under RNO–Alania’s Targeted Programme for Development of Photovoltaic and Nano- and Microtechnologies and Products (“Start–1”) over the period of 2010–2014, ООО Vladikavkaz Technologies Centre Baspik in partnership with leading Russian and international specialised enterprises is developing and starting to produce high-technology electronics, including photo–electronic devices and equipment, as well as micro-, nano- and photo–electronic items and state–of–the–art night vision devices. Around RUB 2 billion will be allocated toward implementing this project by 2014.

The programme also calls for creating and developing an electronics innovation and industrial cluster, and building an advanced system for efficient interaction between scientific and production facilities and the market based on the Technopark model.

**RNO–Alania and Bayer AG–CropScience have been successfully collaborating on innovations in the chemicals industry.**

**RNO–Alania’s higher educational institutions award diplomas to over 6,000 graduates every year.**
Transport system

Geography
North Ossetia-Alania is a key transit corridor for transporting freight from the South Caucasus to Russia. The republic is located in the North Caucasus and occupies a part of the Central Fore-Caucasus region. It runs 120 km from west to east and 125 km from north to south, bordering with Georgia in the south, the Kabardino-Balkar Republic in the west and northwest, Stavropol Region in the north, the Chechen Republic in the northeast and the Republic of Ingushetia in the east.

Motor transport
Motor transport plays a key role in RNO-Alania’s transport system because the republic lies on a direct route to the South Caucasus, which runs across North Ossetia through the Greater Caucasus mountain range in two main arteries, one of which is the section of the Georgian Military Road that runs from Vladikavkaz to the Russian-Georgian border in the Daryalskoe Gorge. In addition to the Georgian Military Road, there is a tunnel through the Greater Caucasus mountain range on the Transcaucasus Motor Road, which has operated in North Ossetia since the 1980s. The Transcaucasus Motor Road is the shortest route from the heart of European Russia to the South Caucasus, Turkey and Iran.

Since Verkhny Lars border post opened, foreign trade turnover has increased by 74.6% to reach USD 244 million.

The republic’s regional motor roads are included in the so-called Caucasus Ring system: Rostov-on-Don – Baku – Yerevan – Tbilisi – Novorossiysk.

There are 2,300 km of public motorways and roads, representing a density of 286 km of road per 1,000 km² (fourth place among Russia’s regions after Moscow, St Petersburg and Kaliningrad Region).

Promising logistics routes:

• to Moscow – 1,923 km
• Armenia – Vladikavkaz – Moscow: 2,365 km
• Turkey – Vladikavkaz – Moscow: 4,058 km
**Rail transport**

Rail transport in RNO–Alania is represented by North Caucasus Railways, a branch of OAO Russian Railways. The republic has 144 km of operating track. A special passenger express train, “Ossetia”, runs from Vladikavkaz for Moscow every day. In addition, there are trains to St Petersburg, Novorossiysk, Adler and Anapa.

**Air travel**

RNO–Alania is home to Vladikavkaz International Airport. The airport is of strategic importance and is very conveniently located in the heart of the Caucasus. Air routes link the republic with major CIS cities as well as several European countries.

Under the Federal Targeted Programme “Development of Russia’s Transport System over the period of 2010–2015”, RUB 1.08 billion will be allocated for the renovation of the Beslan airport facility in Vladikavkaz in 2013. This will help increase freight and passenger traffic as well as improve the quality of service for aircraft, passengers, luggage and freight, including international air transport.

Aircraft handled:

- Yak–40, Airbus A–319/320;
- Boeing 737–500;
- VS and 3–4 class helicopters.

Airport services are certified to provide operational technical maintenance of Tu–154, Tu–134, Yak–42, Yak–40 planes and Mi–8 MTV helicopters.

Size: 3,000 x 45 m. Surface: concrete.
Economic performance

The socio–economic situation

In 2011, capital investments reached RUB 21.1 billion, representing 118.7% year–on–year growth. The increase in this data point was primarily driven by a greater level of capital investment in the construction and renovation of federal motorways, versus 2010, as well as by the growth in investment activity in the energy, metals, food processing and small business sectors.

RNO–Alania’s authorities have proposed over 30 top–priority investment projects as part of the Government Programme Investment Plan for the Development of the North Caucasus Federal District. Implementing these projects will require public support from the federal budget in the form of government guarantees, partial loan interest subsidies and budgetary allocations from the Russian Investment Fund.

Implementation of these projects will have an extensive impact, as they will help boost the economic development of the region as a whole. The total value of these projects exceeds RUB 50 billion, and they are expected to create 15,000 new jobs by 2020 as well as significantly boost RNO–Alania’s budget revenues.

The multiagency investment commission has selected five projects proposed by the RNO–Alania Government, which will qualify for Russian Government guarantees. The total cost of these projects is RUB 4.5 billion, of which the guarantees will cover RUB 2.3 billion.
Three of the five projects were approved for guarantees in 2011. They include:

- **OOO Progress**: development and exploitation of the Alagirsky boulder, sand and gravel mix deposit (loan amount: RUB 549 million);
- **OOO Alania–Oil**: building of a modern, high-tech oil extraction and deep conversion facility at the Korinskoe oil field (loan amount: RUB 824 million).

In 2012, plans call for using Russian Government guarantees to implement another 10 top-priority investment projects in the republic. Overall investment will exceed RUB 8 billion.

**2011: RUB 2 billion in government guarantees for three projects creating 1,100 jobs**

Stage two of the OOO Master–Prime.Berezka Agro-industrial Holding project was launched jointly with Vnesheconombank. This project is to set up milk production and processing based on a livestock breeding complex for 1,600 head of Montbéliarde cattle, a French breed of milk cows, which is unique in Russia. Overall project investment is RUB 2.1 billion. The amount invested in stage one of the project has already reached RUB 600 million. Overall, the project will require loans amounting to RUB 1.5 billion.

The OAO North Caucasus Development Corporation is currently considering participating in six advanced investment projects in the RNO–Alania.

There are plans for raising finance from the Russian Investment Fund for an investment project to build a modern cement plant with an annual capacity of 1.5 million tonnes near the town of Alagir, which has a local deposit of calcareous clay. Currently, OOO UGMK–Holding is preparing to submit a project finance application to the Russian Investment Fund.

OOO UGMK–Holding intends to invest approximately RUB 10.4 billion in the construction of the plant in 2012–2015.

Implementation of investment projects eligible for government support has led to the creation of around 1,000 jobs and payment of over RUB 200 million in taxes to budgets of all levels.

During the X International Economic Forum Sochi–2011, the RNO–Alania Government presented the most ambitious and challenging investment projects, and signed a number of investment agreements with the following companies:

- **ZAO ECO HORIZON and AVERMANN Maschinenfabrik GmbH & Co. KG**: a project to build a plant for producing environmental units for waste processing and a state-of-the-art plant for manufacturing concrete frames;
- **MTFJ GmbH**: development and support for the investment project “Setting up production of first-class hydolytic medical glass, quartz glass, fibre-optic and foam glass in Vladikavkaz”;
- **OAO Giredmet State R&D Institute of the Rare Metals Industry**: a project for the development of solar-based energy production in North Ossetia;
- **jointly with ECOLIFE**: a project to set up the Caucasus Silicon Company.

**Commissioned residential houses, thousands of m²**

Plans call for creating a high-tech silicon cluster in North Ossetia to produce solar batteries using mono silicon.

A key event for the republic’s economic development was the signing of a strategic agreement with Vnesheconombank Corporation and OAO Russian Venture Company for cooperative efforts in promoting innovation-driven activities and developing a venture capital industry in North Ossetia–Alania.
Key economic sectors in the Republic of North Ossetia–Alania
North Ossetia–Alania has a well-developed manufacturing sector and diversified agriculture.

The non-ferrous metals industry is one of the republic’s core manufacturing segments, which has been developed largely on the basis of significant mineral fields and deposits. The republic is home to manufacturers of zinc, lead, tungsten, copper mill products and hard metal alloys and repair shops for railway rolling stock.

The Electrozinc and Pobedit plants specialise in the production of heavy and hard metal alloys based on tungsten, zinc and molybdenum.

**RNO–Alania’s profitable companies posted earnings growth of 67.8% in 2011.**

In addition, the republic is home to manufacturers of building materials and components (OAO PZhBI and OAO MOEMZ), glass (OAO Iristonsteklo), electric contactors, furniture (ZAO ROKOS), corrugated board packaging (OAO Digorsky Corrugated Board Package Plant), knitwear (OAO Mozdok Clothing Factory), starch products (OAO Beslan Corn Plant) and an enterprise for repairing railway rolling stock (OAO Vladikavkaz Car Repair Plant).

RNO–Alania boasts a high level of scientific potential. The Russian Academy of Sciences and the Government of North Ossetia–Alania have jointly established the Vladikavkaz R&D Centre to coordinate R&D work in the republic.

- **RNO–Alania produces 35% of Russia’s zinc, as well as 46% of lead, 15% of hard metal alloys, 83.6% of electric contactors, and about half of curtain fabric produced in Russia.**

- **RNO–Alania ranks fourth in Russia in terms of the population’s real income growth.**
Utilities

The utilities cluster is based on using the republic’s renewable and environmentally friendly energy resources. Among the available energy options, the construction and operation of new hydro power plants holds a prominent place. RNO–Alania’s economically viable hydro power potential equals 5.2 billion kWh annually, while the republic currently generates only 400 million kWh.

The clear disparity between the potential of the republic’s hydro power resources and its actual existing hydro generating capacity led to the creation of a special programme for the development of RNO–Alania’s hydroelectric resources. This programme calls for implementing such projects as:

- building a hydro power plant (HPP) cascade on the Ardon River. The total amount to be invested by OAO RusHydro is RUB 15.1 billion (in 2009 the Main Zaramagsky HPP was put into operation);
- building an HPP cascade on the Urukh River. The total amount to be invested by the Mercury Group of companies is RUB 10 billion (in 2008 the Fasnalsky HPP was put into operation);
- developing a network of potential small and medium–scale HPP projects on other rivers (plans call for building a total of 28 hydro power plants);
- building gas reciprocating power plants;
- using other alternative energy sources, including solar and wind power.

As a result of these projects to build additional energy capacity, RNO–Alania now consumes 97.3% of the electric power it produces.

However, today, the republic is experiencing a severe electric power deficit. RNO–Alania’s own power plants currently satisfy only 20% of its electricity needs.

Boosting power generation through further construction of medium–scale and small HPPs will enhance the republic’s energy self–sufficiency, and may over time allow it to become an interregional power supplier.

The republic has the capacity to develop small–scale power generation facilities on the basis of its numerous mountain rivers. Small–scale power generation may be a very efficient solution for supplying electricity to remote agricultural and tourist facilities.

As of 1 April 2012, RUB 11.878 million has been invested in building the Zaramagsky HPP cascade. In 2009, the main Zaramagsky HPP with a capacity of 15 MW and annual output of 23 million kWh was put into operation.
In 2012–2014, the main tasks facing the republic’s agriculture sector are oriented toward implementing a government programme to develop agriculture and regulate markets for agricultural produce, raw materials and foodstuffs.

According to forecasts, RNO–Alania’s agricultural sector is expected to achieve total output worth RUB 26.4 million in 2014, or 19.7% above the 2011 level. Average annual growth in agricultural output for the period from 2012 to 2014 is estimated to be at least 6.6%.

In the medium–term perspective, the focus will be on growing highly profitable crops for which there is strong consumer demand. To achieve this, a number of measures have been planned to rebuild and develop elite seed breeding.

In the period up to 2014, plans call for setting perennial plantings in an area of up to 380 ha annually to complete reconstruction of low–yielding gardens, and revitalise a garden nursery complex capable of producing plantings at a capacity of 100–150,000 fruit transplants and 500,000 shrub transplants.

Animal husbandry will see an across–the–board increase in the livestock and poultry population and productivity across all segments (meat production is expected to reach 68,000 tonnes, while milk production will reach 245,100 tonnes and egg output will rise to 131.6 million eggs).

The key objective is to meet growing consumer demand in RNO–Alania and neighbouring regions with home–grown livestock products.

Plans also call for continuing to develop small agribusiness enterprises to more efficiently integrate small landholdings and private farms into the republic’s larger economy. Additionally, to optimise and improve the republic’s crop yields, in 2011 a machine and tractor station (MTS) was established providing harvesters and specialised equipment. Before their introduction, the republic was able to meet only 40% of its harvest–related technological requirements using its own vehicles and equipment.
Food and processing industries

The republic’s food and processing industries are mainly focused on grain processing, fruit and vegetable processing and canning, and production of cheese, butter and cultured milk products.

The first steps are now being made to establish agribusiness holdings that will enable a more rational use of agricultural and processing enterprises’ production capacities:

• OOO Iraf–Agro (crop, poultry meat and whole milk production).

Milk and meat processing entities equipped with up–to–date facilities:

• OAO North Ossetian Gormolzavod (whole milk products, yoghurt, ice cream production);
• OOO Master Prime Beryozka (dairy, cheese production);
• ZAO Alpha Dairy Factory (dairy products);
• OOO Da (meat and sausage products, and specialty foods production);
• OOO Alania–Fish (trout breeding, production and processing);
• OAO Semenovod (corn seed, rapa seed and soya seed);
• OOO MADIO+ (construction of a fur farm with full–cycle mink and sable breeding).

The republic boasts over 250 mineral and fresh water springs, and has reserves exceeding 15,000 cubic metres per day. The mineral water in Ossetia has unique balneo-therapeutic properties, chemical and gas composition. Together, all of these resources create favourable conditions for developing the republic’s balneotherapeutic resorts and services.

Sixteen enterprises are engaged in bottling mineral and table water, of which the largest are OAO VPBZ Daryal, ZAO Ariana, OOO Agrofarma FAT, OOO Bukhar–Don, ZAO Kay–T, OOO Akhsau, and OOO Bavaria, among others. Only seven out of 300 explored mineral water springs with various chemical compositions and a wide range of therapeutic properties are used for bottling purposes.

Production volumes in 2011:

• Milk – 6,026 tonnes (RUB 130.5 million);
• Cultured milk products – 2,031 tonnes (RUB 83.03 million);
• Alcoholic beverages and alcohol products – 22,470 litres (RUB 1.68 million).
The Republic of North Ossetia–Alania boasts a wealth of recreation resources. Its favourable climate, the Great Caucasus Mountain Range, therapeutic mineral waters, unique historical, natural, and cultural sights, and extensive infrastructure all combine to create numerous opportunities to further develop the area’s travel industry and increase the republic’s attractiveness to investors. Ten investment sites were selected for priority development:

- Mamison
- East Digorskaya
- Central Digorskaya
- Narsko–Zakkskaya
- Kazbekskaya
- West Digorskaya
- Kurtatinskaya
- Tseyskaya
- Kora–Ursdonskaya
- Vladikavkazskaya

The project to develop the Mamison Alpine ski resort – a year-round Alpine holiday resort – is the first project to get underway, and also the largest-scale. Further development of the Tsey Alpine holiday resort complex (which is already in operation) is also a top priority.

In winter, this Alpine resort makes an ideal destination for families, and all year-round tourists flock to its glaciers and mountain tops. There are numerous routes and trails of various categories of difficulty. The resort as a whole covers 230 ha, of which 60 ha is currently dedicated to recreation facilities with capacity for 450 people.

Six different facilities comprise the Republic of North Ossetia–Alania’s network of health and wellness resorts:

- Ossetia, a treatment centre for cardiovascular diseases;
- Tamisk, a treatment centre for nervous system disorders, infant cerebral palsy, dermatological diseases;
- Ossetia Health Complex (attached to the Ministry of Labour and Social Development);
- Tamisk RNO–A Youth Rehabilitation Centre (attached to the Ministry of Labour and Social Development);
- Fiagdon Republic Health Complex for Children with Parents (attached to the Ministry of Health);
- the republic’s health and wellness resorts also include the Pine Wood health complex and the Ursdon seasonal retreat.
On 18 October 2010 the Russian Government issued a decree, creating a cluster of 6 special economic zones (SEZ) specifically for tourism in the Republic of North Ossetia–Alania. A tourism and recreation special economic zone was then established in the Alaghirskiy (Mamison resort) and Irafskiy (Uallagkom resort) regions. The corresponding Agreement No. C-53-OC/Д25 was signed on 10 February 2011. The SEZ will offer special benefits across their territories. These include USD 2 billion in government subsidies for the construction of infrastructure and the initial facilities, providing significant tax benefits and reducing customs duties for SEZ residents with regard to the imported goods used in the construction of infrastructure facilities for the resort.

**Uallagkom alpine resort**

The project which involves building a year-round alpine resort (Ullagkom) in the Digor Gorge is to be completed in several development stages. The presence of a range of different easy to access ski slopes, and conveniently located sites for the construction of resort villages makes it possible to create a major resort centre gradually, step by step.

The West Digor Gorge (Uallagkom) is not just an up-and-coming ski resort built to global standards. It’s also a promising region for the development of mountain climbing, trekking, rafting, delta and paragliding activities, equestrian and hiking trails, and Jeep tours.

Key features of the Uallagkom resort:
- Distance from the airport and railway station – 111 km.
- Number of ski-lifts – 35.
- Ski slopes:
  - Length – 150 km;
  - Area – 1,176 ha.
- Altitude:
  - lowest-lying area – 1,940 m;
  - highest area – 4,230 m (passage to the Karaugomskiy glacier).

Main village capacity: 11,680 people.
Additional village capacity: 7,050 people.
Mamison Alpine Ski Resort

The Mamison Alpine Ski Resort will be built in the Alagirsky and Irafsky Districts of the Republic of North Ossetia–Alania, not far from Mamison Gorge. Its unique location and outstanding climate will make this one of the world’s most attractive winter sports destinations, with tourist facilities equal to those of Park City (US) and Les Arcs (France).

Mamison will be a year-round resort: its ski slopes equipped with the very latest ski-lifts will operate in winter, while in other seasons tourists will be able to practice their mountain climbing skills, go rafting (including on waterways classed as “difficult” and above), deltapara-gliding, paragliding and jeeping. Those who prefer horse-riding, hiking and walking will find exquisitely planned routes, and the full complex of infrastructure needed for mountain tourism will be provided.

Thanks to the Zaramag glacier, skiers should have the opportunity to enjoy ideal conditions – even in the height of summer.

Construction work on the infrastructure and roads connecting with Mamison Gorge will be completed in 2012. RUB 1.455 billion has already been invested.

The resort’s accessibility is a distinct advantage: it is located 110–150 km from Vladikavkaz International Airport and 210–250 km from Mineralnye Vody International Airport.

Basic features of the Mamison resort:

- Distance from the airport and railway station – 110 km.
- Total area – 570 km².
- Resort settlement area – 205 ha.
- Resort traffic capacity – 30,000 people per day.
- Sleeping accommodations, total for 4 complexes – 27,622.
  - hotels [rooms] – 17,786;
  - apartments – 5,960;
  - cottages – 3,876.
- Number of cableways of various kinds – 74.
- Length of cableways – 102 km.
- Mountain ski runs:
  - length – 255 km;
  - number of ski slopes – 211.
- Altitude above sea level:
  - lower part of the resort – 1,940 metres;
  - higher part of the resort – 4,040 metres.
Projects in progress that have received Government guarantees

**Construction of a multi-product livestock breeding complex**

Initiator: SPK KITA  
58 Ostrovsky St., Ardon,  
Ardon District, RNO–Alania, 363332.  
Chairman – Alexei Nikolaevich Dudati.  
Prospective creditor – OAO AKB Moscow Industrial Bank.  
There is a land plot of 3,460 ha, of which 2,800 ha is arable land. Crops produced: wheat (250 ha), corn (1,800 ha), potato (352 ha).  
Funding volume – RUB 867.5 million.  
**Project summary**  
The construction of an efficient and profitable multi-product livestock breeding complex focused on meat production that uses advanced technologies.

**Complete re-equipment and expansion of dolomite powder production**

Initiator: OAO Kavdolomite  
25a Borodinskaya St.,  
Vladikavkaz, RNO–Alania, 362040.  
General Director – Ruslan Akhsarbekovich Aguzarov.  
Prospective creditor – OAO Sberbank of Russia.  
Complete re-equipment and expansion of dolomite powder production  
Re-equipment of the open pit and construction of a dolomite grinding plant. On reaching design capacity, the open pit will have a total yield of 882,000 tonnes per year, and the production volume of dolomite powder (which is in high demand) will exceed 600,000 tonnes per year.

**Construction of a livestock breeding complex and milk processing plant**

Initiator: OOO Master Prime. Beryozka Agro-Industrial Holding  
63a Lenin St., Ardon, RNO–Alania.  
General Director – Larisa Khasanovna Bekuzarova.  
Prospective creditor – GK Vnesheconombank.  
Funding volume – RUB 2.1 million.  
**Project summary**  
Construction of a livestock breeding complex for 1,200 units of dairy cattle with all necessary infrastructure and equipment; the construction of a feeding station for 800 units of young stock; the construction of a milk processing plant and Comté cheese production line.
Project: North Ossetia–Alania Composite Materials Cluster

Basalt is an extrusive volcanic rock boasting a highly stable chemical and mineral composition. Global basalt reserves are virtually unlimited and comprise between 25% to 38% of the total area of volcanic deposits. Basalt is the most appropriate raw material to use in the production of a new class of alternative cheap and environmentally-friendly goods based on composite materials.

There are 7 basalt mineral deposits in North Ossetia–Alania. With the total reserves of 60 million tonnes, basalt could serve as a basic raw material in the production of supplies boasting unique qualities for the construction sector.

The project will involve the following production facilities:

- continuous filament basalt (capacity up to 520 tonnes/year);
- basalt-plastic pipes with diameters ranging from 100 to 3,000 mm (capacity up to 150 km/year);
- heat-insulation with densities ranging from 50 to 140 kg/m³ (capacity up to 10 thousand tonnes/month);
- composite fittings (6 thousand tonnes/year);
- freight cars and lift-off covers made from composite materials (up to 120 items/year);
- refrigerator containers (up to 100 items/year).

The presence of basalt deposits in North Ossetia–Alania, and their superior quality as compared to their market competitors, served as key prerequisites for this project.

Advantages:

- high market dynamics;
- corrosion resistance;
- better chemical resistance (including acid environment);
- resistance to high temperatures and fire. Extended application temperature range (from –80°C to +580°C);
- ecologically safe, natural material;
- allows savings of up to 50% when applying cluster materials;
- allows construction weight to be cut by 5–60%.

The goods produced by the cluster can be used in various fields, such as:

- construction of roads and buildings;
- housing and utilities infrastructure;
- oil and gas sector;
- transport industry;
- aircraft and shipbuilding industry.

Key project initiator: Permanent Representation of North Ossetia–Alania to the Russian President.

Key project partners:

- OOO GALEN (OAO RUSNANO);
- OAO MMEZ–KT (THE RUSSIAN TECHNOLOGIES STATE CORPORATION);
- KEMROCK (India);
- HIGH TECH PROFILES (Belarus).

Total investment volume: RUB 1,220 million
Volume of production: RUB 1,504 million
Internal Rate of Return (IRR): 19.11%
Payback time: 4.8–7 years
Government Support Measures

The Republic of North Ossetia–Alania’s Government is acting to create an environment that is both business- and investment-friendly by granting guarantees, tax incentives and also by offering administrative support.

State support to stimulate investment activity in the Republic of North Ossetia–Alania takes the following forms:

- guarantees granted by the Republic of North Ossetia–Alania to investors for attractive investments under the statutory procedure;
- individual tax concessions granted to investors within the timeframe established in the republic’s law “On Investment Activity in the Republic of North Ossetia–Alania” within the amounts collected to the republic’s budget;
- offering investors access to real estate leases in the Republic of North Ossetia–Alania at reduced rates to facilitate investment activity in respect to leased property;
- involvement of the Republic of North Ossetia–Alania in developing, examining and implementing priority investment programmes;
- assistance to investors in obtaining tax concessions with respect to taxes payable to the federal budget;
- loans granted under the terms and procedure set out in the law of the Republic of North Ossetia–Alania on the republic's budget for the respective year;
- participation in creating business partnerships and companies in accordance with the procedure established by Russian law;
- state orders placed by the Republic of North Ossetia–Alania under the procedure established by Russian law and legislative acts of the Republic of North Ossetia–Alania;
- surety granted by the Government of the Republic of North Ossetia–Alania under the procedure set out in the law of the Republic of North Ossetia–Alania on the republic's budget for the respective year;
- partial refund of interest paid by enterprises and organisations for credit resources granted for investment project implementation.

Under investment agreements with investors, the Government of the Republic of North Ossetia–Alania may guarantee that the Government of the republic, local executive bodies, and third parties will fulfill any other terms and conditions falling within their respective authorities, and compensate investors for any damages they suffer as a result of defaults on terms and conditions.
**Tax incentives**

The Government of the Republic of North Ossetia–Alania places a high priority on attracting investment. This issue features prominently in the republic’s investment laws – which include tax incentives for investors and thereby also help foster business development.

Tax incentives are granted to investors engaged in investment activity in the Republic of North Ossetia–Alania under the procedure established by Russian law and the republic’s legislation (the republic’s law “On Investment Activity in the Republic of North Ossetia–Alania”). Tax incentives are granted to investors only with respect to income generated while financing particular investment projects.

This law also establishes a beneficial tax regime, i.e. reduced taxes payable to the Republic of North Ossetia–Alania.

**The decision–making process in government investment support**

When the Parliament of the Republic of North Ossetia–Alania decides to grant state guarantees in the republic, the republic’s government concludes a contract on investment activity.

The Parliament passes a decision whether to grant state guarantees of the Republic of North Ossetia–Alania or not.

The republic’s government reviews a proposal of the republic’s MED, and, if approved, enters a proposal to the republic’s parliament to grant state guarantees.

The Ministry of Economic Development (MED) reviews projects from economic, financial and social viewpoints. When approved, it a proposal submits a proposal for state guarantees to the government.

The Investment Promotion Agency of the Republic of North Ossetia–Alania was created to make getting involved in investment projects in the republic a faster, more efficient process.

Small- and medium-sized businesses are supported by:
- the Entrepreneurship Support Fund;
- the Guarantee Fund;
- the Entrepreneurship Promotion Centre.

Products manufactured domestically in the Republic of North Ossetia–Alania are sold through the republic’s trade and economic representative office in Moscow.
The Agency was established as an open joint stock company. Of its charter capital, 60% comes from the Republic and 40% from the Republic's Bank of Regional Development. The first action undertaken by the Agency was to offer investors assistance in the development of business plans for various regional projects claiming a government guarantee. These guarantees are primarily offered to priority projects in the North Caucasus Federal District. In doing this, the Agency was motivated by the desire to relieve investors of extra costs.

Today, the Agency is promoting 16 investment projects. They include a welded wire mesh manufacturer in Beslan (project cost – about RUB 90 million), upgrading furniture production facilities in Vladikavkaz (cost of project – over RUB 1 billion). Two projects are aimed at recovering production facilities that are currently idle, i.e. the former Gazoapparat plant (where they are planning to manufacture modern boilers, gas stoves, and ovens) and a confectionery plant which has stood idle since 2001. There are also three agribusiness projects covering the construction of stock breeding and trout farming facilities. A basalt–based goods production facility is also due to be set up in the Alagirsky district (estimated cost of the project is RUB 1.1 billion).

The Agency applies two principal mechanisms. The first involves holding a temporary interest in the equity of a company if there is a lack of funds. It may be the case that a bank loan is to be issued with the further buy out of the Agency's share at a discount. The second involves issuing a guarantee to the bank, subsidising the interest rate under an established repayment schedule.

In 2012, the Government Guarantee Programme was amended to increase the region's investment appeal. The minimum guarantee is now RUB 100 million. However, this support should not exceed 70% of investment project cost, which should be at least 30% self–funded. Thus, the minimum total cost of a project should be RUB 143 million (Instruction No. 6-r of 21 January 2011 "On the Share of the Republic of North Ossetia–Alania in the Charter Capital of OAO Investment Promotion Agency of the Republic of North Ossetia–Alania").

Since 2012, projects with investment of at least RUB 300 million may only apply for a government guarantee in cases where this guarantee will cover 70% or less of the total amount of capital investments.

Preferences of potential investors

<table>
<thead>
<tr>
<th>Preferences for a new business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate property tax exemption</td>
</tr>
<tr>
<td>Lower income tax rate (by 4.5%)</td>
</tr>
<tr>
<td>Land lease rate – 0.02% of cadastral value</td>
</tr>
<tr>
<td>Land tax exemption</td>
</tr>
<tr>
<td>Tender–free land allocation</td>
</tr>
</tbody>
</table>
The Entrepreneurship Promotion Centre (the Centre) was established as part of the approved programme to promote entrepreneurship in the Republic of North Ossetia–Alania. The Centre has a total of 4,000 m² of production and office facilities.

The Entrepreneurship Promotion Centre’s chief goal is to support SMEs at the initial stage of their development by offering premises for rent in addition to advisory, accounting and legal support services – all at more favourable prices. Most of the Centre’s clients are entrepreneurs who are involved in creating innovative products, want to apply creative ideas, and are focused on upgrading their production process. In addition to special-purpose departments offering advisory services on business-related legal or accounting issues, the Centre has other resources to support innovative entrepreneurship. For example, all clients have access to the information centre.

In addition, the Centre has well-equipped training rooms for distance learning and video-conference purposes. The Centre provides tailor-made free courses to a wide variety of businesses and their staff. The training courses cover areas such as the legal framework for entrepreneurship, resource and HR management, government support for SME, PR techniques, etc. (Resolution No. 228 of the Government of the Republic of North Ossetia–Alania of 20 August 2010).

**The goals of the Entrepreneurship Promotion Centre of the Republic of North Ossetia–Alania:**

- Support SME entities in all business activities;
- Provide full-spectrum support to increase the number of SMEs as well as the quality of their products and services;
- Participate in generating and implementing complex SME development support programmes.
RNO–Alania's Trade and Economic Representative Office in Moscow

The Trade and Economic Representative Office provides full-spectrum support to North Ossetian entrepreneurs who want to build business relations with other Russian regions.

The Trade and Economic Representative Office’s goals include promoting goods and services made in North Ossetia in domestic and international markets, helping to attract investment into the national economy, and implementing major projects in RNO–Alania.

Types of services

**Advisory services:**
- Marketing research and analysis;
- Development and expert review;
- Financial and involvement analysis;
- Support of exhibition activities including participation and organization.

**Sales:**
- Distributors;
- Federal and local chains;
- Wholesale buyers and retail stores;
- A single system of demand analysis;
- Representative Office in Moscow.

**Product promotion:**
- Events (forums, exhibitions, conferences);
- Sponsorship;
- Media publications.

**Investments:**
- Raising infrastructure;
- Finding business partners;
- Business project support from project idea stage to raising finance.

The Representative Office's partners
# RNO–Alania Investment Projects: 2012

<table>
<thead>
<tr>
<th>Project name and overview</th>
<th>Company (holding) implementing the project</th>
<th>Amount of investment, USD million</th>
<th>Project timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zaramagskie HPPs. Building and bringing into operation a cascade of HPPs with the capacity of 812 million kWh at one of Terek's major left–bank tributaries – the Ardon River.</td>
<td>OAO RusHydro</td>
<td>618.6</td>
<td>1976–2013</td>
</tr>
<tr>
<td>Mamison Alpine ski resort. The first stage includes the construction of 45 km of ski tracks covering a total area of 300 ha and fifteen 26 km–long cableways.</td>
<td>The Government of North Ossetia–Alania</td>
<td>521.7</td>
<td>2010–2016</td>
</tr>
<tr>
<td>Construction of small HPPs in the Urukh River basin with an installed capacity of 225 MW and average annual power generation capacity of 980 million kWh.</td>
<td>Mercury Group of Companies</td>
<td>341.1</td>
<td>2008–2017</td>
</tr>
<tr>
<td>Construction of a cement plant with an annual capacity of 1.5 million tonnes. Launching cement production at the Alagirskoe marl deposit.</td>
<td>OOO UGMK–Holding</td>
<td>290.7</td>
<td>2008–2012</td>
</tr>
<tr>
<td>Digoria mountain resort complex with a wide range of winter and summer sports programmes and a capacity of 8,000 people. New jobs created – 3,200.</td>
<td>The Government of North Ossetia–Alania</td>
<td>198.7</td>
<td>2008–2018</td>
</tr>
<tr>
<td>Renovation and expansion of OAO Electrozinc's production facilities. 1.5–fold expansion.</td>
<td>OOO UGMK–Holding</td>
<td>150.0</td>
<td>2007–2012</td>
</tr>
</tbody>
</table>

## RNO–Alania's Top Priority Investment Projects

<table>
<thead>
<tr>
<th>Project name and overview</th>
<th>Company (holding) implementing the project</th>
<th>Amount of investment, USD million</th>
<th>Documentation available</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expansion and renovation of production capacities at an operating furniture manufacturing plant.</td>
<td>ZAO Rokos</td>
<td>33.5</td>
<td>Business plan, design and estimate documentation prepared</td>
</tr>
<tr>
<td>Production of fibre optic elements and related materials.</td>
<td>OOO VTTs Baspik</td>
<td>14.5</td>
<td>Business plan, design and estimate documentation prepared</td>
</tr>
<tr>
<td>Construction of a livestock breeding complex for 1,200 units of dairy cattle and a milk processing plant (2nd stage).</td>
<td>OOO Master Prime, Beryozka Agro–Industrial Holding</td>
<td>70.0</td>
<td>Business plan, design and estimate documentation prepared</td>
</tr>
<tr>
<td>Reconstruction and renovation of a livestock breeding complex.</td>
<td>KFKh Polyakov</td>
<td>33.0</td>
<td>Business plan and financial model prepared</td>
</tr>
<tr>
<td>Establishing production facilities for glass and basalt plastic pipes.</td>
<td>OOO Polymer Technologies Caucasus</td>
<td>12.7</td>
<td>Business plan and financial model prepared</td>
</tr>
<tr>
<td>Organisation of gravel production at OOO Unalgranite’s dioritic syenite deposit.</td>
<td>OOO Unalgranite</td>
<td>16.0</td>
<td>Business plan prepared</td>
</tr>
</tbody>
</table>
**RNO-Alania Districts**

**Digorsky District**

Healing mineral water springs, high-quality raw materials for brick and tile production, construction of small hydro power plants on the Ursdon River, woodworking, agribusiness, food industry and canned food production.

**Irafsky District**

Development of an alpine resort and small hydro power plants. There are high-quality clay reserves for potential brick production.

**Ardonsky District**

Quality drinking water extraction and bottling, cubic gravel production with an annual capacity of 500,000 tonnes, deposits of non-metallic materials, agriculture.

**Kirovsky District**

Several important federal transport arteries traverse the district, including the Kavkaz Federal Motorway and North Caucasus Railway. There are heavy construction materials quarries, high-quality clay deposits, and fruit and vegetable farms and processing facilities.
Mozdoksky District
Kharbizhenskoe oil field with potential reserves of 4.6 million tonnes and expected annual production of 26,000 tonnes.

Pravoberezhny District
Has a well-developed transport and power supply infrastructure of the kind necessary to implement investment projects in both the industrial and agricultural sectors. One of the most promising investment project in the region is the establishment of a glucose–fructose syrup production facility attached to OAO Beslan Corn Plant.

Vladikavkaz
Vladikavkaz is the capital of the Republic of North Ossetia–Alania, one of the most beautiful cities in the North Caucasus and a major industrial, scientific and cultural hub for South Russia. Vladikavkaz is a strategically important transport centre links with countries throughout the Caucasus and Transcaucasus regions.

Prigorodny District
Marbled limestone deposits, mineral and drinking water reserves, high-quality clay, sand, sand and gravel mix, gravel, dolomite and volcanic cinders.

Alagirsky District
Plans call for building the Mamison Alpine Skiing Resort in the district.
**Vladikavkaz**

**Territory** – 290.6 km², including:
- 77.8 km² used for agricultural production;
- 10.8 km² used for industrial production;
- 118.6 km² used for timber production;
- 25.6 km² of land not used in urban planning.

**Population** – 331,000.
Administrative Centre – Vladikavkaz.
Population density – 1,139 people per km².

**Economy**
The scientific and industrial potential of Vladikavkaz currently includes over 100 industrial businesses, many of which operate nationwide. Major companies that operate nationwide include: Electrozinc, Pobedit, Iristonsteklo, Magnit and Elektrokontaktor. The city’s continued stable economic growth is testimony to the impact of socio-economic development.

**The city’s priority investment projects**
Year-round Lysaya Gora (bald mountain) resort: Lysaya Gora’s north and east slopes are well suited to the construction of skiing and snowboarding routes. Ski slope length: 1,690 metres; height: 323 metres; slope throughput: 600—700 people per hour.
There are plans to develop urban infrastructure at the foot of the mountain where the ski slope ends. They stipulate for the construction of hotels, rental facilities, restaurant chains, cafes, bars, and entertainment centres for children. There are plans to build a car park for 600—700 cars.
In 2012, construction work started on Valery Gergiev Caucasus Musical and Cultural Centre. The project involves the construction of a multifunctional 1,200-seat concert hall, a small 300-seat hall and a 200-seat cinema.
Alagirsky District

**Territory – 2,013.49 km²:**
- Agribusiness – 397.7 km²;
- Manufacturing – 7.5 km²;
- Forestry – 418.95 km²;
- Populated areas – 32.18 km²;
- Specially protected areas (resorts, etc.) – 299.19 km²;
- Reserve lands – 858.38 km².

**Population – 38,845 people including:**
- 20,966 who live in urban areas;
- 17,879 people who live in rural areas.

**Administrative Centre – Alagir.**

Population density – 19.3 people per km².

**Major enterprises:**
- OOO Alagirsky Zavod Stroimaterialov (construction materials plant) – a brick manufacturer;
- OAO Alagirsky DOZ (timber processing plant) – a furniture company;
- OOO BazelCement;
- OAO RusHydro;
- OOO Fokos;
- OOO UGMK–Holding.

**Investment potential**

The Mamison mountain resort centre is to be built in the Alagirsky district.

A modern mobile crushing-and-sorting complex brought into operation in 2008 has an annual capacity of 1.35 million tonnes of sand-gravel mixture.

OOO UGMK–Holding is a leading construction work on a cement plant in the Alagirsky district. The plant has a capacity of 1.5 million tonnes of cement per year. The plant is to meet the cement demands of republic and other regions of the North Caucasus. Overall investments amount to RUB 10.4 billion.

OAO RusHydro is constructing Zaramagsky HPPs in Alagirsky district. The power plants’ capacity is 352 mW. The main plant with a capacity of 10 mW, is scheduled for 2009; HTTP–1 has a capacity of 342 mW and is due to be completed in 2015. In addition, the company started construction work on Fiagdonsky small HPP which has a capacity of 5.1 mW.

The areas of economic activity in Alagirsky district that are most attractive to investment include hydropower engineering, manufacturing heavy construction materials, livestock production and the processing of agricultural products.
Ardonsky District

**Territory** – 377 km\(^2\):
- Agribusiness – 258 km\(^2\);
- Manufacturing – 13.3 km\(^2\);
- Forestry – 12.4 km\(^2\).

**Population** – 30,699 people including:
- 18,786 people living in urban areas,
- 11,913 people who live in rural areas.

Administrative Centre – Ardon.

Population density – 81.4 people per km\(^2\).

**Major enterprises:**
- OOO Agat (plastic windows manufacturer);
- OOO Kita (agribusiness);
- OOO Alfa Dairy Factory.

**Investment potential**

The production and bottling of high-quality drinking water is a promising sector for investment in Ardonsky district which boasts a plentiful underground water supply. The region has both group and individual water withdrawal facilities (95 operating water wells). Chemical and laboratory tests have proved that these underground waters comply with all sanitary requirements.

OAO Moscow Industrial Bank is carrying out the construction of a rock-crushing cubic gravel plant with a capacity of 0.5 million tonnes per year.

Investors have numerous opportunities to establish sand-gravel production facilities using local non-metallic materials deposits. The climate is also favourable for agribusiness initiatives.
Digorsky District

Territory: 585 km²:
- Agribusiness – 208.3 km²;
- Manufacturing – 25.0 km²;
- Forestry – 40.0 km²;
- Populated areas – 138.2 km²;
- Specially protected areas (resorts, etc.) – 60.4 km²;
- Reserve lands – 113.1 km².

Digorsky District accounts for 7% of the total area of the Republic.

Population – 19,326 people, including:
- 1,085 people living in urban areas;
- 8,476 people who live in rural areas.

Of that, 57.3% is made up by the population of the administrative centre, i.e. the town of Digory. The rest of the population live in rural areas. Four of these villages have more than 1,000 residents each: Nikolayevskaya (2,004 people), Karman–Sindzikau (2,292 people), Dur–Dur (2,238 people), Kora–Ursdon (1,190 people).

Along with the Kirovsky District, it has the smallest number of populated areas (seven).

Administrative Centre – Digora.

Population density – 33.0 people per km².

Major enterprises:
- OOO Digorsky Corrugated Board Package Plant (corrugated cardboard manufacturer);
- OOO IR–Les (wood processing, wood products);
- OOO Chinar (mineral water producer).

Investment potential

Digorsky District is famous for its proved mineral water springs which will be used as the basis for the development and construction of health resorts.

The construction materials sector is also considered promising as there are three deposits of high-quality raw materials for brick and tile manufacturing. The conditions are also conducive to the development of the power and energy sector. Opportunities include the installation of special generating equipment on gas pipelines and the construction of small HPPs on the Ursdon river.

Other promising sectors include timber processing, agribusiness, food industry and canning. OOO Alania Oil project is considered particularly promising for investment. In 2012 it was granted government support in the form of a government guarantee to help carry out the Kharbizhensky and Korinsky oilfields development project.

A year-round alpine resort (Ullagkom), which is included in special economic zones is to be built in Digor district.
Irafsky District

Territory – 1,376 km²:
• Agribusiness – 457 km²;
• Manufacturing – 6 km²;
• Forestry – 227 km²;
• Populated areas – 144 km²;
• Specially protected areas (resorts, etc.) – 208 km²;
• Reserve lands – 334 km².

Administrative Centre – Chikola.
Population density – 11.5 people per km².

Major enterprises:
• OAO CHIKO (mineral water, soft drinks, canning);
• OOO Irafsky Clothing Factory.

Investment potential
Irafsky District is one of the most suitable regions for the development of tourism and small HPP facilities.

Digoria mountain resort is to be created under The South of Russia Federal Targeted Programme (2008–2012).

This project includes reconstruction of Chikola – Matsuta – Komy – Art road to Galiat village, provision of power and gas supply systems for the resort, construction of hotels and service facilities. The total project cost is RUB 5.8 billion.

Seventeen small HPPs with a total capacity of 240 mW and an annual output of 980m kW/h are to be built in the Urukh River basin. The cost of the project is RUB 10 billion. In 2009, the first small HPP (Fasnalskaya) with a capacity of 6.4 mW was put into operation.

The region is rich in high-quality clay reserves sufficient to establish a brick production facility. Another promising area for investment is the construction of lime powder and construction materials production facilities at Kalukhsky non-metallic materials deposits (requiring investments totalling RUB 460.9 million) as well as the extraction and bottling of high-quality drinking water.

Another promising investment project is a year-round alpine resort Ullagkom, which is included in the special economic zone.
Mozdoksky District

Territory – 1,071 km²:
• Agribusiness – 859.8 km²;
• Manufacturing – 32.43 km²;
• Forestry – 97.72 km²;
• Populated areas – 5.247 km²;
• Reserve lands – 1.182 km².

Population – 84,619 people including:
• 38,698 people who live in urban areas;
• 45,921 people who live in rural areas.
Administrative Centre – Mozdok.
Population density – 79.0 people per km².

Major enterprises:
• OAO Mozdokskie Uzory (curtain manufacturer);
• OOO Mozdok Brick Plant (construction brick manufacturer);
• OOO PZhBI (reinforced concrete manufacturer);
• OAO MOEMZ (metal structures).

Investment potential
Mozdoksky district has a well-developed infrastructure, transport system, and also boasts modern communications and power supply systems.

Its investment potential is primarily connected with the development of its agribusiness and agricultural product processing facilities.

Investors are offered fields with restored irrigation facilities. The irrigated area may reach 15,000 hectares, thanks to which crop yields will increase 40–60 centners per hectare. A total investment of RUB 125 million is needed to restore the irrigation system.

Pipelines connecting oilfields with Central Russia and the Black Sea Port of Novorossiysk pass through Mozdoksky district. This could form the basis for the establishment of oil processing entities.

The development of crude hydrocarbon deposits is a promising area for growth in Mozdoksky district.

Kharbizhenskoe oil field with reserves of 4.6 million tonnes and estimated annual production of 26,000 tonnes is located in the district.

Investments totalling RUB 185 million are needed to launch operations at one oil well.

Another project that investors are likely to find interesting is the construction of the Mozdok small hydro–power plant (HPP) located on the 21st kilometre of the Tersko–Kumsky irrigation canal. The plant has a design capacity of 7.5 mW with an average annual output of 25 m kW per hour. Estimated investment costs amount to RUB 210 million.

The development of Razdolny spring water deposits is another economically promising project. The water is ideally suited to therapeutic and balneological uses.

Unused capacity, facilities and premises of companies engaged in production throughout the region are also considered attractive sites for investment. These include OAO Mozdok Clothing Factory and a concrete pressure pipe plant located in Pavlodolskaya village.
Kirovsky District

Territory – 411 km²:
- Agribusiness – 277.55 km²;
- Manufacturing – 6.06 km²;
- Forestry – 4.92 km²;
- Populated areas – 51.68 km²;
- Reserve lands – 2.36 km².

Administrative Centre – Elkhotovo village.
Population density – 67.7 people per km².

Major enterprises:
- OOO Mir (timber processing);
- OOO Kazbek Agrofirm (pig-breeding farm);
- SPK Perspekptiva (fruit and vegetables canning);
- SPK De Gusto (agribusiness).

Investment potential
The most important federal transport arteries transect this district: the Kavkaz Federal Highway and the North–Caucasus Railway. There are two railway stations: Elkhotovo Station and Darg–Kokh Station of the North–Caucasus Railway. The region also boasts heavy materials quarries, and high quality clay deposits.

Pravoberezhny District

Territory – 441.29 km²:
- Agribusiness – 235.34 km²;
- Manufacturing – 5.42 km²;
- Forestry – 10.81 km²;
- Populated areas – 51.68 km²;
- Lands in reserve – 2.36 km².

Population – 57,026 people including:
- 36,729 people who live in urban areas;
- 20,297 people who live in rural areas.
Administrative Centre – Beslan.
Population density – 129.3 people per km².

Major enterprises:
- OAO Beslan Corn Plant (starch syrup, dry starch manufacturer);
- OOO Stroyizdeliya (reinforced concrete manufacturer).

Investment potential
Pravoberezhny district of the Republic of North Ossetia–Alania has a well-developed transport and power supply infrastructure of the kind necessary to implement investment projects in both the industrial and agricultural sectors. One of the promising investment projects is the establishment of a glucose–fructose syrup production facility at OAO Beslan Corn Plant.

This project involves the output of high–fructose corn syrup as part of a new generation of sweeteners to be used by the confectionery industry. The production facility is to use the latest technologies. Estimated sales volumes will amount to 80,000 tonnes per year. The project requires an investment of RUB 1.1 billion.
**Prigorodny District**

 Territory – 1,422.42 km²:
  - Agribusiness – 587.26 km²;
  - Manufacturing – 102.41 km²;
  - Forestry – 526.47 km²;
  - Populated areas – 202 km²;
  - Specially protected areas – 4 km².

 Population – 108,347 people including:
  - 103,8 people who live in urban areas.

 Administrative Centre – Oktyabrskoye village.

 Population density – 76.2 people per km².

 **Major enterprises:**
  - OOO Granit;
  - OOO Vektor;
  - OOO Avtotrassa;
  - OOO Magnat;
  - OOO Monolit (manufactures concrete, non-metallic materials);
  - ZAO Politekhnik;
  - DO ZAO KES Sputnik;
  - Stabilnost (non-metallic materials, road concrete mix manufacturer);
  - OAO Prestizh.

 **Investment potential**

 Prigorodny district is a region of high investment potential. It has a diversified transport and communications infrastructure. It is also home to 27 medium–sized and major industrial companies. The local population benefits from a full complex of transport, trade, consumer and communications services. The area also boasts major deposits of marbled limestone (Lartsidonskoye deposit), spring and drinking water reservs (Tarskoe village), high quality clay (Sunzha, Tarskoe villages), sand, sand and gravel mix (Kantshevskoe deposit 2), gravel (the beds of the Gizeldon, Terek, Kambleevka and other rivers), dolomite and volcanic cinders (Genaldonskoe deposit).

 **Promising investment projects**

 The construction of a brick plant in Oktyabrskoe village (OOO Progress) with a design capacity of 45 million facing solid bricks per year is of particular interest. Investment costs amount to RUB 210 million. The basic raw material is clay from deposits in Sunzha and Tarskoe villages.

 The establishment of a high–tech timber processing plant using locally available raw materials is also noteworthy. The estimated volume of processed wood is expected to reach 15,000 m³ per year. Investments required for this project amount to RUB 15 million including the purchase of necessary equipment. Valuable tree species (beech, oak, English elm, cherry tree, nut tree, etc.) are to be used as feedstock.
Conclusion

Currently, Russian economy is demonstrating an ongoing trend for continuing stable growth.

The Republic of North Ossetia–Alania has set itself ambitious, but achievable, goals, and we anticipate further fruitful cooperation with major Russian and international businesses on joint investment projects.

The Republic’s government is focused on maintaining a business-friendly environment favourable for the development of entrepreneurship.
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