Investor’s Guide to the Chechen Republic
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This Investor’s Guide has been prepared in cooperation with the Ministry for Economic and Territorial Development and Trade of the Chechen Republic.

The information contained in this publication is as of November 2016.
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Greetings from the Head of the Chechen Republic

In light of the challenging economic situation facing all of Russia today, the leadership of the Chechen Republic has devoted particular attention to fostering a favourable investment climate in our region.

The primary task facing the Chechen Republic’s regional and municipal government authorities is to make every effort to ensure that no investor or entrepreneur who has made an investment in our economy, no matter how large or small, and who has contributed to creating production operations in our republic, has any reason whatsoever to doubt the correctness of their decision.

To achieve this level of investor confidence in our region’s potential, we must first of all stop the proliferation of needless barriers, prohibitions and regulations. The reserve potential for enhancing our business and investment climate can be unleashed through concerted efforts to streamline procedures, cut bureaucratic red tape, and facilitate a favourable environment for the expansion of private initiative.
The Chechen Republic offers an entire range of competitive advantages that can be harnessed to foster a truly favourable environment for long-term investment. These advantages include: social and political stability; an advantageous geographic location; a wealth of natural resources; opportunities for establishing competitive production operations in diverse industries (such as oil and gas, tourism and services, various agricultural sectors, and manufacturing of construction materials, among others); and strong potential for developing tourism and recreational activities.

Our republic is open and ready for cooperation and is actively seeking to attract investment from both domestic Russian and international businesses. We are ready to discuss any proposals or initiatives for carrying out new projects or developing and building upon the foundation laid by existing projects. We are prepared for a substantive, constructive dialogue at any venue. Finally, we can offer the best possible options for project localisation and comprehensive investor support.

Ramzan A. Kadyrov
Head of the Chechen Republic
Dear readers,

In recent years, the Chechen Republic has been making a concerted effort to enhance its investment appeal through pursuing a consistent economic and investment policy aimed at developing the region’s industrial, agricultural and tourism sectors.

The Chechen Republic Government continues to focus on creating a favourable investment climate in the republic by introducing mechanisms for easing the operations of both Russian and foreign companies. Government assistance for investment projects is provided on a “one-stop-shop” basis and includes advisory, informational, legal, administrative and organisational support throughout an investment project’s implementation period.

Moreover, the region offers two innovative information sources – the Chechen Republic investment website and a detailed investment map of the republic – that can serve as critical tools for potential investors. These tools give investors instant access to up-to-the-minute information about investment sites and projects, as well as regional development institutions, and other critical data.

For any investor, stability and a dynamic pace of economic growth are essential conditions for doing business in any region. The Chechen Republic Government is currently making a large-scale effort to ensure
that the region meets these critical requirements. The National Rating of the Investment Climate of Russian Regions has ranked the Chechen Republic among those “regions with favourable conditions for doing business”, together with the cities of Moscow and St Petersburg.

Chechnya’s advantageous geographic location and the rapid growth of its logistics infrastructure serve as a strong basis for the republic to become a major transport hub for all of southern Russia in the near future.

The region is actively engaged in developing its engineering, agricultural and investment infrastructure through such facilities as the Grozny Industrial Park, the Chechen State University Technopark, and dozens of business incubators, among others. In addition, a modern tourism infrastructure, focused on alpine skiing and health resorts, is now being created. One of the most vivid examples of such development is the construction of the Veduchi Tourism and Recreational Special Economic Zone (SEZ), which will be an integral part of a tourism cluster consisting of European-class ski resorts throughout the North Caucasus.

This Investor’s Guide was designed to give you essential data and a comprehensive picture of the Chechen Republic’s investment climate, which in turn can serve as a benchmark for assessing the most promising investment opportunities.

Maxim I. Matsiborko
Partner, Head of Regional Development
PwC Russia
The Chechen Republic is one of Russia’s youngest and fastest-growing regions. Its population growth has been mainly due to natural increase. Chechnya’s rate of natural increase per 1,000 people is 18.3, compared to an indicator of 0.2 for Russia overall in 2015.

**Geographical location**
The Chechen Republic is located in the north-central flank of the Greater Caucasus mountain range, which borders on the Chechen plain and the Terek-Kuma lowland. The highest peak in Chechnya is Mount Tebulosmta with an elevation of 4,493 metres above sea level.

**Total area**
The Chechen Republic has a total land area of 16,100 sq km. Among the Russian Federation’s 85 constituent regions, it ranks 76th by land area.

**Climate**
The climate is continental with an average of 265 sunny days per year, or twice as many as in central Russia (114 days in Moscow and 105 days in St Petersburg).

**Population**
- As of 1 September 2016, the republic’s population was 1.4 million people (or less than 1% of Russia’s total population);
- The region’s population growth is stable at a rate of 1.4% per year – one of the highest rates among Russian regions;

The capital of the Chechen Republic is Grozny.
General information

- **Moscow**: 1,496 km
- **Kazan**: 1,406 km
- **Dubai**: 2,198 km
- **Riyadh**: 2,090 km
- **Astana**: 2,125 km
- **Almaty**: 2,523 km
- **Baku**: 476 km
- **Istanbul**: 1,399 km
- **Ankara**: 1,128 km
- **Grozny**: 1 hour flight time
- **2 hours flight time**
- **3 hours flight time**
The Chechen Republic’s main competitive advantages

1. The Chechen Republic’s unique natural and geographic environment is a critical factor in running profitable agricultural enterprises. The region is developing a unique production profile, seeking to capitalise both on its natural environment and climate as competitive advantages as well as on its centuries-old agricultural traditions.

2. Huge reserves of high-quality raw materials facilitate production of a wide range of construction materials. Eighteen construction businesses operate in the region, including a Chiri-Yurt-based cement mill, the largest enterprise in this industry in the North Caucasus.

3. The Chechen Republic has unique opportunities for developing tourism. The region spans five climate zones, from a desert to snow-capped mountain peaks rising over 4,000 metres above sea level. One of the factors contributing to the development of tourism in the republic is the absence of large, environmentally harmful industrial enterprises.

4. Both the Transcaucasian Railway and Russia’s M-29 federal highway, the Caucasus Motorway, traverse the territory of the Chechen Republic. These arteries make up a part of the North-South International Transport Corridor, which has the potential to become the region’s largest transportation hub in the near future.

5. The Chechen Republic is one of Russia’s youngest and fastest-growing regions.

6. The cost of production in the Chechen Republic is among the lowest in Russia.

Cost of gas and electricity, and average monthly salary in Chechnya and other Russian Federation regions

<table>
<thead>
<tr>
<th></th>
<th>Chechen Republic</th>
<th>Stavropol Territory</th>
<th>Republic of Tatarstan</th>
<th>Moscow Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gas prices (RUB  `000 / 1,000 cubic metres)</td>
<td>4.7</td>
<td>4.7</td>
<td>4</td>
<td>4.6</td>
</tr>
<tr>
<td>Electricity price (RUB/ Kwh)</td>
<td>2.17</td>
<td>3.20</td>
<td>2.69</td>
<td>3.14</td>
</tr>
<tr>
<td>Salary (RUB)</td>
<td>21,452.3</td>
<td>22,597.1</td>
<td>28,293.6</td>
<td>38,598.2</td>
</tr>
</tbody>
</table>

The integral index, which takes into account such factors as gas and electricity rates, and the average salary, demonstrates that the average cost of the Chechen Republic’s primary production resources is about 20% lower than in other Russian Federation regions. This fact significantly enhances Chechnya’s competitiveness and helps promote investment.

Integral index of the cost of primary production resources
Key social and economic indicators of the Chechen Republic

The Chechen Republic’s Gross Regional Product (GRP) in 2014 amounted to RUB **141.3 billion**, or **0.24%** of Russia’s overall GDP. Moreover, Chechnya remains one of Russia’s most dynamically developing regions. The republic’s GRP saw average annual growth of 19% between 2010 and 2013, compared to an average of 13% for the Russian Federation overall and 15% for the North Caucasian Federal District, which encompasses seven Russian constituent regions, including the Chechen Republic. Tapping into the republic’s human potential is one of the main drivers of GRP growth. The unemployment rate in the Chechen Republic fell by nearly half from 32.6% in 2011 to 12.1% in 2015. And, a further decrease in the republic’s unemployment rate down to the nationwide Russian average of 2.7% could serve as a future growth driver for Chechnya’s GRP.

### Gross Regional Product (in current prices), RUB (Russian roubles) billion

<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chechen Republic</td>
<td>86.6</td>
<td>141.3</td>
</tr>
<tr>
<td>Republic of Tatarstan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Caucasian Federal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Caucasian Federal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>District (NCFD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stavropol Territory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Moscow</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Average annual growth rate compared to other regions**

- **Chechen Republic** – 15.7%
- Republic of Tatarstan – 8.6%
- North Caucasian Federal District (NCFD) – 14.2%
- Stavropol Territory – 9.0%
- Russian Federation – 10.9%
- City of Moscow – 8.8%

### GRP trend per capita, RUB ‘000

<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chechen Republic</td>
<td>67.2</td>
<td>104.0</td>
</tr>
<tr>
<td>Republic of Tatarstan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Caucasian Federal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>District (NCFD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stavropol Territory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City of Moscow</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Average annual growth rate compared to other regions**

- **Chechen Republic** – 15.6%
- Republic of Tatarstan – 8.1%
- North Caucasian Federal District (NCFD) – 13.6%
- Stavropol Territory – 10.8%
- Russian Federation – 8.8%
- City of Moscow – 7.1%

### Changes in population dynamics of the Chechen Republic, millions of inhabitants

<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chechen Republic</td>
<td>1.3</td>
<td>1.4</td>
</tr>
<tr>
<td>City of Moscow</td>
<td></td>
<td></td>
</tr>
<tr>
<td>North Caucasian Federal</td>
<td></td>
<td></td>
</tr>
<tr>
<td>District (NCFD)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Republic of Tatarstan</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stavropol Territory</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Russian Federation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Average annual growth rate compared to other regions**

- **Chechen Republic** – 1.8%
- City of Moscow – 1.2%
- North Caucasian Federal District (NCFD) – 0.6%
- Republic of Tatarstan – 0.4%
- Stavropol Territory – 0.6%
- Russian Federation – 0.1%
General information

**Industry clusters in the Chechen Republic**

Given the Chechen Republic’s economic geography, there are several identifiable clusters focused on the development of separate industries:

- Agriculture has traditionally been concentrated in the southern part of the Terek-Kuma lowland and the Chechen foothills, particularly in the Urus-Martan, Shali and Kurchaloy districts;
- Heavy industry is generally concentrated in Chechnya’s cities (Grozny, Gudermes and Argun);
- Tourism is a promising area for development in Chechnya’s mountainous southern districts.

![Map of Chechen Republic with industry clusters marked.](image-url)
Investment climate

The Chechen Republic has achieved positive results in independent ratings of investment attractiveness.

**Performance Evaluation System for the Executive Branches of Russian Federation Regions**

According to the Performance Evaluation System for the Executive Branches of Russian Federation Regions, in 2014 the Chechen Republic ranked second (after only the Republic of Tatarstan), while in 2013 it ranked in fifth place.

**National Rating of the Investment Climate of Russian Regions (conducted by ASI)**

According to the National Rating of the Investment Climate of Russian Regions (conducted by ASI), the Chechen Republic ranked 17th among the 76 Russian Federation constituent regions covered by the rating and was included in **Group II: Regions with Favourable Conditions for Doing Business**, together with Moscow (No. 13) and St Petersburg (No. 26).

The Chechen Republic demonstrates a good progress in independent investment attractiveness ratings.

**Federal executive bodies performance measurement**

According to federal executive bodies performance measurement system for constituent territories of the Russian Federation, in 2015 the Chechen Republic has retained its leading positions, ranking 2nd for two years straight, closely following the leader – Voronezh Oblast, and followed by the Republic of Tatarstan ranked 3rd.

**The National Rating of the Agency for Strategic Initiatives (ASI)**

In June 2016, according to the National Rating of the Investment Climate for the Constituent Territories of the Russian Federation (by ASI), the Chechen Republic ranked 14th out of the 85 constituent territories of the Russian Federation participating in the rating, moving three ranks up against last year, and 1st among NCFD regions.

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The Chechen Republic

in independent ratings

**Regulatory environment**

*D* below average

Those Russian regions with the same rating for this performance indicator were: the Leningrad Region, Tyumen Region, Penza Region, Kursk Region, and the City of St Petersburg.

**Institutions for business**

*A* highest rating

Those Russian regions with the same rating for this performance indicator were: the Kostroma Region, Tyumen Region, Penza Region, Kemerovo Region, Republic of Mordovia and Republic of Mari El. This rating is higher than that assigned to the Krasnodar Territory, the City of Moscow, the Leningrad Region and the Moscow Region.

**Infrastructure and resources**

*B* high rating

Those Russian regions with the same rating for this performance indicator were: the Krasnodar Territory, Chuvash Republic, Khanty-Mansi Autonomous District-Yugra, Kursk Region, Leningrad Region, Orel Region, Chelyabinsk Region, Rostov Region, and the City of St Petersburg. The rating is higher than that assigned to the City of Moscow and the Republic of Tatarstan.

**Support for small business**

*C* average rating

Those Russian regions with the same rating for this performance indicator were: the City of Moscow, Tula Region, Voronezh Region, Vladimir Region, Leningrad Region, and Kemerovo Region.
Public safety

Over the past few years, Chechnya has consistently been rated as one of the safest regions in Russia in terms of crime rate, based on statistical data from the Russian Federation Prosecutor General’s Office.

**Number of crimes per 10,000 inhabitants**

<table>
<thead>
<tr>
<th>Year</th>
<th>Chechen Republic</th>
<th>Stavropol Territory</th>
<th>Republic of Tatarstan</th>
<th>Moscow Region</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>162.01</td>
<td>155.23</td>
<td>129.87</td>
<td>122.59</td>
</tr>
<tr>
<td>2011</td>
<td>155.23</td>
<td>134.86</td>
<td>129.47</td>
<td>122.59</td>
</tr>
<tr>
<td>2012</td>
<td>129.87</td>
<td>129.47</td>
<td>134.86</td>
<td>122.59</td>
</tr>
<tr>
<td>2013</td>
<td>129.87</td>
<td>129.47</td>
<td>134.86</td>
<td>122.59</td>
</tr>
<tr>
<td>2014</td>
<td>122.59</td>
<td>122.59</td>
<td>122.59</td>
<td>122.59</td>
</tr>
<tr>
<td>2015</td>
<td>122.59</td>
<td>122.59</td>
<td>122.59</td>
<td>122.59</td>
</tr>
</tbody>
</table>
The following companies have invested in the Chechen Republic:

1. Trojan General Contracting LLC (United Arab Emirates) is carrying out a project for the construction of the Canvas Hotel complex in Grozny.
2. Silk Road LLC (China) is carrying out a project for the construction of greenhouses in Chechnya’s Shelkovskoy Municipal District.
3. Eagle Hills Properties LLC (United Arab Emirates) is implementing a project for the construction of Grozny International University, designed to accommodate a student body of 4,000.
4. KOKAM Co. Ltd (South Korea) is involved in implementing a project in Grozny for the production of energy saving systems (ESS) with a capacity of 30 MWh.
5. Khan-Chenkon LLC (South Korea) is a resident of the Grozny Industrial Park in the Zavodskoy District of Grozny.

The following industries have been designated as priority sectors of the republic’s economy:

- Oil and gas production and refining;
- Industrial production;
- Power generation;
- Construction;
- Engineering (machine-building);
- Agribusiness;
- Food;
- Communications;
- Transport;
- Utilities (water supply and disposal, garbage removal and processing, and heat supply);
- Hospitality and tourism;
- Education;
- Healthcare.

Investment projects in these industries may obtain priority status and become eligible for certain benefits, incentives and subsidies.
The Chechen Republic’s investment website (www.chr-invest.ru) and investment map (www.investmap95.ru) were created to improve the investment climate and attract investors to the republic.

The website visually presents information on investment opportunities available in the region. Website visitors can read about milestones in the implementation of the Chechen Republic’s Investment Standard as well as the Strategy for the Chechen Republic’s Social and Economic Development until 2025. The website also features a direct communication tool and provides information about the activities of the Investment Board under the auspices of the Head of the Chechen Republic.

Visitors can file an application for investment project support, which is provided on a “one-stop-shop” basis. Investors who are carrying out or planning investment projects in the region are provided with advisory assistance as well as informational and organisational support.

### Dобыча основных видов полезных ископаемых

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Руда железная, необогащенная, тыс. т</td>
<td>2 357,8</td>
<td>2 818,4</td>
<td>2 940,0</td>
<td>2 526,5</td>
<td>2 525,0</td>
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<tr>
<td>Концентрат железнорудный, тыс. т</td>
<td>34 087,1</td>
<td>37 367,8</td>
<td>37 346,2</td>
<td>36 415,6</td>
<td>37 575,5</td>
</tr>
</tbody>
</table>

### Производство окатышей

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Окатыши железорудные (окисленные), тыс. т</td>
<td>12 269,1</td>
<td>12 551,6</td>
<td>12 477,6</td>
<td>12 656,2</td>
<td>12 719,0</td>
</tr>
<tr>
<td>Окатыши и брикеты железнорудные металлизованные, тыс. т</td>
<td>4 703,0</td>
<td>5 103,6</td>
<td>5 299,9</td>
<td>5 474,0</td>
<td>5 306,0</td>
</tr>
</tbody>
</table>
The updated list of the Chechen Republic top-priority investment projects features 65 projects worth a total amount of RUB 284.1 bn with the following breakdown by industry:

• MANUFACTURING, ENERGY, CONSTRUCTION, AND TRANSPORT – 25 projects with a total amount of RUB 233.7 bn (12.5 thousand jobs);

• AGRICULTURE, FOOD PRODUCTION – 27 projects worth a total amount of RUB 30.8 bn (3.1 thousand jobs);

• LEISURE ANS TOURISM, COMMUNICATIONS – 4 projects worth a total amount of RUB 19.6 bn (3.3 thousand jobs).

The projects provide for both reconstruction of the existing production operations and construction of new advanced high-technology production facilities, and creation of 18,866 jobs.
As of 01 October 2016, **53 investment projects** worth a total amount of RUB 5,847.24 mn were executed in the Chechen Republic through non-budgetary investments creating 1,057 jobs.

Major investment projects include:
1. Construction of a milk farm for 1,200 milking cows and a fodder centre for 4,000 meat cattle initiated by OOO Leader-R (cost: RUB 1,272.0 mn, 47 jobs);
2. Lenta hypermarket chain deployment, initiated by OOO Lenta (cost: RUB 1,000.0 mn, 300 jobs);
3. Construction of a plant breeding centre, laboratory, and processing facilities for OOO Chechen Gardens, a research and manufacturing firm, initiated by OOO Chechen Gardens (cost: RUB 748.0 mn, 32 jobs);
4. A hotel on the Stakhanovtsy Street, initiated by OOO Chechenstroy Construction Company (cost: RUB 288.0 mn, 80 jobs).

**180 investment projects** worth a total of RUB 277.00 bn are being implemented - they will create 13,550 jobs.

The major projects include:
1. Construction of Akhmat Tower, a multifunctional skyscraper complex, initiated by OOO MFK Akhmat Tower (cost: RUB 64 bn, 3,000 jobs);
2. Construction of Grozny Sea, a sports and recreational tourist complex, initiated by the Mayor’s Office of the City of Grozny (cost: RUB 60.0 bn; 610 jobs);
3. Construction of Veduchi, a SEZ year-round ski resort, initiated by OOO Veduchi (cost: RUB 53.4 bn; 2,000 jobs);
4. Construction of Grozny CHP, initiated by OOO GEKh Engineering (cost: RUB 45.1 bn, 300 jobs);
5. Development of Kazbek, an innovation construction technopark, initiated by ZAO Kazbek, and investment construction company (cost: RUB 6.5 bn; 400 jobs).
6. Grozny Mall, a retail and entertainment area, initiated by OOO Grozny Mall (cost: RUB 6.4 bn, 2,000 jobs);

**Government support for investment activity**

The Chechen Republic is home to a number of institutions dedicated to supporting investors and businesspeople. These include:
- Investment Fund of the Chechen Republic;
- Pledge Fund of the Chechen Republic;
- Special Guarantee Fund of the Chechen Republic;
- Investment and Venture Fund of the Chechen Republic;
- Microfinancing Fund of the Chechen Republic;
- Fund for Supporting Small- and Medium-Sized Enterprises (SME) in the Chechen Republic.

Government support in the form of official guarantees of the Chechen Republic is provided in accordance with the Chechen Republic Laws “On Investments and Guarantees for Investors in the Chechen Republic” and “On the Procedure for Providing State Guarantees for Borrowing Funds for the Needs of the Chechen Republic”, as well as other Russian Federation and Chechen Republic regulations. Recipients of Chechen Republic official guarantees are provided security for loans borrowed from regional budget funds.
Investment project support is provided on a “one-stop-shop” basis and includes advisory, informational, legal, administrative and organisational support throughout an investment project’s implementation period.

For a project to be listed among the Chechen Republic’s priority projects, the investor must file an application and an investment project datasheet with the Ministry for Economic and Territorial Development and Trade of the Chechen Republic, which will then issue a decision on the applicant project within 14 days.

Current Chechen Republic legislation offers a number of tax benefits and incentives to organisations making investments in priority sectors of the republic’s economy. These include:

• Investment tax credit, which entails a change in the tax payment due date for regional taxes. The period can range from one to five years, or it may be 10 years if a project is being implemented within a territorial development zone;
• Subsidies to offset interest payments on loans;
• Government guarantees;
• Subsidies for producers of agricultural goods;
• Support for small- and medium-sized enterprises (SME) in the form of grants, subsidies, microloans and guarantees.

Investment project support is provided on a “one-stop-shop” basis and includes advisory, informational, legal, administrative and organisational support throughout an investment project’s implementation period.

For a project to be listed among the Chechen Republic’s priority projects, the investor must file an application and an investment project datasheet with the Ministry for Economic and Territorial Development and Trade of the Chechen Republic, which will then issue a decision on the applicant project within 14 days.

<table>
<thead>
<tr>
<th>Tax</th>
<th>Russian Federation</th>
<th>Tax preferences in the Chechen Republic</th>
</tr>
</thead>
<tbody>
<tr>
<td>VAT</td>
<td>18%</td>
<td>13.5%*</td>
</tr>
<tr>
<td>Corporate income tax</td>
<td>20%</td>
<td>13.5%*</td>
</tr>
<tr>
<td>Personal income tax</td>
<td>13%</td>
<td></td>
</tr>
<tr>
<td>Transport tax</td>
<td>RUB 1-150/hp</td>
<td></td>
</tr>
<tr>
<td>Social tax contribution</td>
<td>34%</td>
<td></td>
</tr>
<tr>
<td>Land tax</td>
<td>1.5%</td>
<td></td>
</tr>
<tr>
<td>Property tax</td>
<td>2.2%</td>
<td>0%**</td>
</tr>
</tbody>
</table>

The following types of support were provided in 2015:

• 40 grants amounting to RUB 78 million;
• 264 microloans amounting to RUB 169 million;
• 12 guarantees totalling RUB 42 million;
• Subsidies amounting to RUB 30 million.

* Corporate income tax at a rate of 13.5%. This beneficial tax rate is in effect from the date the relevant investment project reaches its design capacity through the end of its payback period, but the period must not exceed seven years.

** Property tax at a 0% rate, which would be in effect during the investment project’s payback period, but not exceeding five years.
### Investment climate

**Investment infrastructure**

<table>
<thead>
<tr>
<th>Area</th>
<th>Specialisation</th>
<th>Number of residents</th>
<th>Volume of investment made by residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>135,000 m²</td>
<td>Industrial production and construction sectors</td>
<td>6</td>
<td>RUB 544.9 million</td>
</tr>
<tr>
<td>800 m²</td>
<td>High technologies</td>
<td>9</td>
<td></td>
</tr>
</tbody>
</table>

**GUP Grozny Production Business Incubator**

<table>
<thead>
<tr>
<th>Area</th>
<th>Specialisation</th>
<th>Number of residents</th>
<th>Volume of investment made by residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>3,100 m²</td>
<td>Educational services, consulting and business incubation</td>
<td>8</td>
<td>RUB 180.5 million</td>
</tr>
</tbody>
</table>

**Veduchi Special Economic Zone (SEZ) (type – tourism and recreation)**

<table>
<thead>
<tr>
<th>Area</th>
<th>Specialisation</th>
<th>Number of residents</th>
<th>Volume of investment made by residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.1 million m²</td>
<td>Year-round tourism</td>
<td>1</td>
<td>RUB 11.9 billion</td>
</tr>
</tbody>
</table>

---

**State Unitary Enterprise (GUP) Republican Business Centre**

<table>
<thead>
<tr>
<th>Area</th>
<th>Specialisation</th>
<th>Number of residents</th>
<th>Volume of investment made by residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>869 m²</td>
<td>Educational services, consulting and business incubation</td>
<td>11</td>
<td>RUB 61.5 million</td>
</tr>
<tr>
<td>823 m²</td>
<td>Educational services, consulting and business incubation</td>
<td>10</td>
<td>RUB 47.2 million</td>
</tr>
</tbody>
</table>

**GUP Guidermes Business Centre**

<table>
<thead>
<tr>
<th>Area</th>
<th>Specialisation</th>
<th>Number of residents</th>
<th>Volume of investment made by residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>579 m²</td>
<td>Educational services, consulting and business incubation</td>
<td>6</td>
<td>RUB 30.9 million</td>
</tr>
<tr>
<td>569 m²</td>
<td>Educational services, consulting and business incubation</td>
<td>7</td>
<td>RUB 36.8 million</td>
</tr>
</tbody>
</table>

**GUP Shali Business Centre**

<table>
<thead>
<tr>
<th>Area</th>
<th>Specialisation</th>
<th>Number of residents</th>
<th>Volume of investment made by residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>598 m²</td>
<td>Educational services, consulting and business incubation</td>
<td>6</td>
<td>RUB 28.9 million</td>
</tr>
<tr>
<td>1,458 m²</td>
<td>Educational services, consulting and business incubation</td>
<td>6</td>
<td>RUB 74.7 million</td>
</tr>
</tbody>
</table>

**GUP Urus-Martan Business Centre**

<table>
<thead>
<tr>
<th>Area</th>
<th>Specialisation</th>
<th>Number of residents</th>
<th>Volume of investment made by residents</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,263 m²</td>
<td>Educational services, consulting and business incubation</td>
<td>6</td>
<td>RUB 63.8 million</td>
</tr>
<tr>
<td>2,910 m²</td>
<td>Educational services, consulting and business incubation</td>
<td>5</td>
<td>RUB 212.5 million</td>
</tr>
</tbody>
</table>
Investment climate

**Veduchi Special Economic Zone (SEZ) (type – tourism and recreation)**

The establishment of this SEZ calls for the implementation of an investment project titled “Construction of the Veduchi year-round ski resort”, which is valued at **RUB 11.9 billion**. The SEZ construction site is located approximately 70-80 km south of Grozny at a height of 2,850 metres above sea level.

The Veduchi year-round ski resort. This project is aimed at building a comfortable leisure and recreation zone, which in particular will include:

- a multi-purpose hotel complex (four buildings with 520 rooms);
- chalets (five houses with 800 sq m of floor space each);
- a domed skating rink with artificial lighting;
- a cafe at an elevation of 1,850 m;
- a horse-riding track, stables and auxiliary facilities;
- a sports complex;
- a children’s playground;
- a shooting range.

SEZ Veduchi internal infrastructure will be constructed by AO North Caucasus Resorts, a managing company, whereas external infrastructure will be constructed by the Chechen Republic federal executive bodies with funding raised from republican, municipal, and federal budgets.

The area of the land plot is **56.7 hectares** (for implementing the project by 2030). This project is expected to bring up to **500,000 tourists per year** into the region. The Veduchi ski resort will rank among Europe’s top 10 ski resorts with the longest mountain ski trails. It will feature 16 ski trails and runs for all levels of skiers (one green, four blue, six red and four black trails), covering a total area of 15.4 km. The longest trail will be more than five km in length. All ski trails, runs and slopes will be served by eight ski lifts and four “baby” lifts. An outdoor heated swimming pool, outdoor ice-skating rinks, cross-country skiing trails, and a children’s winter playground will be available during the winter months. In summer, visitors can take part in game sports, as well as rafting, roller skating, mountain biking and quad biking.

For more information, visit [www.skiings.ru/veduchi.html](http://www.skiings.ru/veduchi.html) (in Russian only).
**Grozny Industrial Park**

The Grozny Industrial Park, covering 13.5 hectares, is located 2 km from the local railway station and 4 km from the nearest airport.

Residents of the industrial park will occupy production and woodworking premises with areas of 841 sq m and 3,536 sq m, respectively.

The Grozny Industrial Park’s priority areas of production are:
- tiles;
- polypropylene pipes;
- double-glazed windows;
- stone blocks and slag stones;
- roofing material;
- sheet iron.

So far, six industrial park residents are going to invest RUB 544 million in the economy of the Chechen Republic.
The leadership of the Chechen Republic is currently working on establishing three more special economic zones:

• **Industrial and Production SEZ (IPSEZ) in the town of Argun** (featuring the inter-regional Argun-Cherkessk-Stavropol auto-making cluster). Currently, the application to create the IPSEZ is being finalised in accordance with comments from the Russian Federation Ministry of Economic Development (RF MED);

• **Port SEZ (PSEZ) to be located at Grozny (Severny) Airport.** The application for establishing the PSEZ has been finalised based on comments from the RF MED and submitted to the Chechen Republic Government for approval;

• **Tourism and Recreational SEZ (TRSEZ) in the Sunzhensky Municipal District.** This planned SEZ calls for implementing the Sernovodsk-Kavkazsky Resort investment project. The application for establishing the TRSEZ is being finalised in accordance with comments from the RF MED.
**Economic potential**

**Gross Regional Product (GRP)**

<table>
<thead>
<tr>
<th>Year</th>
<th>GRP (GRP), RUB billion</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>64.3</td>
</tr>
<tr>
<td>2010</td>
<td>70.7</td>
</tr>
<tr>
<td>2011</td>
<td>86.6</td>
</tr>
<tr>
<td>2012</td>
<td>102.3</td>
</tr>
<tr>
<td>2013</td>
<td>122.4</td>
</tr>
<tr>
<td>2014</td>
<td>141.3</td>
</tr>
</tbody>
</table>

**Gross Regional Product per capita, RUB ‘000**

<table>
<thead>
<tr>
<th>Year</th>
<th>Per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>52</td>
</tr>
<tr>
<td>2010</td>
<td>56</td>
</tr>
<tr>
<td>2011</td>
<td>67.2</td>
</tr>
<tr>
<td>2012</td>
<td>77.9</td>
</tr>
<tr>
<td>2013</td>
<td>91.6</td>
</tr>
<tr>
<td>2014</td>
<td>104.0</td>
</tr>
</tbody>
</table>

**Structure of the Gross Regional Product (GRP), average annual growth rate in 2010-2014 by industry**

- **State administration and military security, mandatory social insurance**: 19.0% (16.6%)
- **Wholesale and retail sales, repair of motor vehicles, motorcycles, household goods and personal appliances**: 17.1% (10.6%)
- **Construction**: 15.4% (21.2%)
- **Education**: 11.6% (26.7%)
- **Agriculture, hunting and forestry**: 7.2% (10.0%)
- **Transport and communications**: 5.6% (19.6%)
According to data from the Russian Federal Customs Service, the foreign trade turnover of Chechen Republic enterprises in 2015 amounted to USD 16.5 million, which breaks down as follows:

- Exports amounting to USD 1.7 million (13.8% of total foreign trade turnover), including USD 0.041 million to non-CIS countries and USD 1.499 million to CIS countries;
- Imports amounting to USD 14.8 million (86.1% of total foreign trade turnover), including USD 8.2 million from non-CIS countries and USD 1.1 million from CIS countries.

Non-CIS countries dominated among Chechnya’s foreign trade partners, accounting for 81.8% (USD 13.5 million) of total turnover.

### Structure of the Chechen Republic’s foreign trade in January – September 2015, USD ‘000

<table>
<thead>
<tr>
<th>Description</th>
<th>Exports</th>
<th>Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food products and agricultural raw materials (except for textile raw materials)</td>
<td>140.3</td>
<td>1,477.3</td>
</tr>
<tr>
<td>Mineral products</td>
<td>0</td>
<td>110.3</td>
</tr>
<tr>
<td>Chemical products, rubber resin</td>
<td>0</td>
<td>860.5</td>
</tr>
<tr>
<td>Wood and pulp-and-paper products</td>
<td>37.8</td>
<td>279</td>
</tr>
<tr>
<td>Textile, textile products and footwear</td>
<td>0</td>
<td>670.8</td>
</tr>
<tr>
<td>Other goods</td>
<td>0</td>
<td>3,433.2</td>
</tr>
<tr>
<td>Metals and metal products</td>
<td>1.7</td>
<td>2,879</td>
</tr>
<tr>
<td>Machinery, equipment, and transport vehicles</td>
<td>1,517.5</td>
<td>5,383.1</td>
</tr>
</tbody>
</table>
Exports
Export commodities include food products and agricultural raw materials (excluding textile raw materials), wood and pulp-and-paper products, metals and metal products, and engineering products.

Goods were exported to the following CIS and non-CIS countries: Azerbaijan, Georgia, Ukraine, China, Turkmenistan, Iran.

Engineering products were major export items in 2015, accounting for 88.2% (USD 1.5 million) of all exports.

Imports
Import commodities include food products and agricultural raw materials (excluding textile raw materials), mineral products, chemicals, wood and pulp-and-paper products, metals and metal products, engineering products, textile products and footwear, and other goods.

Goods were imported from the following CIS and non-CIS countries: Uzbekistan, Ukraine, Belgium, Germany, Georgia, Israel, India, Iran, Spain, Italy, China, the Netherlands, Poland, the United Kingdom, the United States, Turkey, France, Sri Lanka.

Production of transport vehicles and equipment was a major import item, accounting for 36.5% (USD 5.4 million) of total imports in value terms.
Economic potential

The Chechen Republic has been increasing the pace and scope of efforts aimed at social and economic reconstruction and development. The social and economic situation in the region is improving, and the economy is demonstrating an upward growth trend.

The Chechen Republic's industrial and energy sector encompasses major branches of Russia’s natural monopolies in the oil and gas production and energy industries, as well as manufacturing and construction companies.

The republic’s industrial companies produce over 340 different commodity items that meet national Russia-wide standards, with some items (electrical installation and electrical engineering products) meeting international standards.

Preliminary data show that in 2015 the republic’s industrial production output amounted to RUB 25.5 billion, exceeding the 2014 level by 7.1%.

Manufacturing enterprises have steadily increased their share in the structure of industrial production.

The value of manufacturing products shipped to consumers in 2015 amounted to RUB 6.6 billion, representing a 116.3% year-on-year increase. The manufacturing sector’s share in total industrial production output increased by 2%, reaching 25.8%, which indicates an upward trend in the development of the republic’s own industrial facilities.

### Breakdown of production activities in the Chechen Republic in 2015, %

- **Production of food, including beverages and tobacco**: 15%
- **Wood processing and wood products manufacturing**: 24%
- **Production of other non-metal mineral products**: 3%
- **Production of machinery and equipment**: 20%
- **Production of transport vehicles and equipment**: 4%
- **Other production operations**: 34%

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PwC Chechen Republic 25
Growth in some manufacturing segments has been driven largely by upgrades of existing industrial and agribusiness production capacities, as well as by increased output of vehicles (OAO Chechenavto) and the implementation of a number of investment projects, including:

- **Production of baby food and traditional Caucasian sweets** in Gudermes;
- **The first stage of a project titled “Launching production of energy metering devices at OOO Energiya Plus facilities” and production facilities** in Urus-Martan;
- **Construction of a brick factory** in Mesker-Yurt.

Several investment projects have been initiated in the Chechen Republic’s industrial sector for establishing export-oriented production operations, including:

- **OAO Chechenavto** investment project titled “Development of car manufacturing in the Chechen Republic”: This project calls for setting up auto body welding and painting facilities and the construction of a logistics warehouse at OAO Chechenavto. The facilities’ design capacity is 50,000 units per year; investments amount to RUB 6.2 billion. OAO Chechenavto is a state-of-the-art auto assembly plant, which had developed in close cooperation with OAO AVTOAZ. Under the investment project, OAO Chechenavto plans to ship vehicles to neighbouring republics in the Transcaucasian region.

- **OOO Yug Avto** investment project for construction of an automotive plant to assemble cars of various classes in the town of Argun; the plant will have a capacity is 200,000 units per year. Investments in the construction of the automotive plant amount to RUB 15.5 billion. Under the project, plans calls for selling cars in Russia and other CIS countries.

- **Production of drive equipment at the OOO Altair-Grozny Drive Equipment Plant**, under a project titled “Establishing a state-of-the-art drive equipment production facility in the Chechen Republic”. Plans call for exporting products to CIS countries. The required amount of funds to finance the project is RUB 1 billion.

- **Construction of a plant for manufacturing Li-ion batteries** with an annual output of 125 MWh in the City of Grozny, initiated by OAO Chechen Oil and Chemical Production with a plan to manufacture Li-ion batteries and, based on these batteries, a system to maintain annual energy output at 125 MWh. Investments in the construction of the plant amount to RUB 12.2 billion. The batteries are scheduled for export to the CIS and non-CIS countries.

- **Manufacturing of wood-processing items at GUP Alkhan-Kala Wood-Processing Mill**: The company plans to sell its line of products (including veneer materials, rough-sawn stock, window units, two-layer parquet hardwood flooring, solid-wood cabinets and furniture, laminated lumber and furniture board) to CIS countries. The required amount of funds to finance the project is about RUB 2.4 billion.

Currently, these projects are being prepared for implementation (i.e. identifying potential customers for products to be manufactured and sources of project finance).
The Chechen Republic Government programme titled “Providing the Chechen Republic’s citizens with affordable and comfortable housing and public utility services” is the main instrument for promoting growth in the home building and public utilities sectors.

The volume of work performed under the category of “construction activity by contractors operating in the republic” in January – December 2015 amounted to **RUB 17,152.8 million**, which is 2.1 times more than in 2014.

In January – December 2015, entities and organisations of all types of ownership, along with the general population, commissioned a total of **928,200 m²** of housing stock funded from both savings and borrowed funds. However, the total area of newly commissioned housing stock decreased by 18.6% year on year.
Agribusiness is a leading sector in the economy of the Chechen Republic. Agricultural production is a key economic sector in the republic both because of the region's favourable soil and climatic conditions as well as the high concentration of rural inhabitants in its population (over 60% of Chechnya’s residents live in rural areas, whereas the average figures for Russia and the NCFD are 26% and 51%, respectively).

Farming is a key element in the republic’s agribusiness sector, accounting for 90% of its output. Overall, the agricultural sector accounts for 7-8% of the region’s total economic output, 12% of Chechnya’s Gross Regional Product (GRP), and 18.7% of the average annual number of employed labour. The share of agribusiness in the republic’s GRP is more than twice as high as the Russia-wide average, once again highlighting Chechnya’s importance as a heavily agricultural region.

The Chechen Republic has a total land area of 1.6 million hectares, of which farmland covers 998,100 hectares, including 348,900 hectares of cultivated land.

Preliminary data show that total agricultural output produced in 2015 (by all types of holding companies and farms republic-wide) amounted to RUB 17.2 billion, representing an 112.9% year-on-year increase.

Livestock and crops account for 74.2% and 25.8%, respectively, of agricultural production by all categories of agribusiness enterprises and farms in the Chechen Republic.

Today’s priority areas for Chechnya’s agribusiness sector include processing of agricultural products, reconstruction and development of irrigation and other water systems, and improvement of agricultural lands.

### Major contributions to the development of agriculture have been made by such leading enterprises as:

- Tsentoroevsky Agrokombinat
- Tsentoroevsky Dairy Plant
- OAO Chechen mineral water
- Shovda and Caucasus agricultural holding companies
- SPK Agromir Naur
- OOO Standart-S
- OOO Leader-R
- OOO Leader-A
- OOO Leader-K
- OOO Rodina

### Volume of agricultural production in actual prices, RUB billion

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>Share in agricultural production of the Chechen Republic</th>
<th>Average annual growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>crops</td>
<td>4.4</td>
<td>26%</td>
<td>14%</td>
</tr>
<tr>
<td>livestock</td>
<td>12.8</td>
<td>74%</td>
<td>9%</td>
</tr>
</tbody>
</table>

### Agricultural growth rate in regions of the Russian Federation, RUB billion

<table>
<thead>
<tr>
<th>Region</th>
<th>2009</th>
<th>2015</th>
<th>Average annual growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stavropol Territory</td>
<td>68</td>
<td>120</td>
<td>12.2%</td>
</tr>
<tr>
<td>Chechen Republic</td>
<td>10</td>
<td>17</td>
<td>8.9%</td>
</tr>
<tr>
<td>Krasnodar Territory</td>
<td>175</td>
<td>334</td>
<td>11.5%</td>
</tr>
<tr>
<td>Republic of Tatarstan</td>
<td>117</td>
<td>214</td>
<td>12.2%</td>
</tr>
</tbody>
</table>
• The Chechen Republic has 333,700 hectares of forest land available for industrial use.
• The total stock of standing timber amounts to 4,500 hectares with beech and oak prevailing among forest trees.
• There are 45 approved mineral deposits, eight of which have been assigned federal status.

Approved field reserves total 231.4 million cubic metres (m³), including:
  • carbonate raw materials – 7.4 million m³;
  • expanded clay raw materials – 5.6 million m³;
  • brick and tile raw materials – 39.5 million m³;
  • silicate sands – 11 million m³;
  • building sands – 27.2 million m³;
  • sand-and-gravel mix – 137.9 million m³;
  • building stones – 2.6 million m³.
The Chechen Republic's main modes of transport are road, rail and air.

The Chechen Republic boasts a public highway system with **3,054.5 km** of general purpose roads, including 2,826 km (92.5%) of roads with hard surfaces, of which 1,603.5 km (52.4%) are roads with asphalt-concrete pavement, 1,223 km (40%) have a gravel surface, and 228 km (7.5%) have a natural surface.

Traversing the region are a **135.3-km** section of the Federal M-29 Caucasus highway and **692.2 km** of other interregional highways.

Over the 12 months of 2015, passenger turnover on public transport in the region amounted to **674 million passengers per km**, including **377.7 million** motor vehicle travellers and **296.3 million** air travellers.

In 2015, the region's freight transport turnover consisted of **354.9 million tonnes per km**, including **328.8 million** tonnes of motor freight and **26.1 million tonnes** of air freight.

The total length of railways in the Chechen Republic is over **700 km**. The railway density is **195 km/10,000 sq km**, which is four times the nationwide density figure and 1.5 times the density in the NCFD. There are three operational railway stations in Grozny, Gudermes and Argun, and three freight yards in the republic.

The republic's booming regional market, in combination with the fast-growing markets in neighbouring regions and the Transcaucasian countries, has underscored the need to restore and bring the Grozny-Nazran railway line back into service.

Toward this end, the leadership of the Chechen Republic has been actively promoting the restoration of the Grozny-Nazran rail line at the federal level. Such a restoration project would give impetus to the development of local business and roadside infrastructure as well as closer integration with southern Russia, new job creation, and increased tax revenues for the regional and municipal budgets.
The restoration (construction) of the rail line between Argun and Cement Plant stations is also under consideration, as it would foster development of an industrial zone around the Chechen Cement Plant, which has annual output of 1.2 million tonnes of cement. Plans call for implementing several major investment projects in the Cement Plant industrial zone, including construction of a new cement plant with annual capacity of 1.5 million tonnes, development of the Kazbek innovation construction technopark (ICT Kazbek), and construction of the first stage of a cascade of hydroelectric power plants (HEPP), the Chiri-Yurt HEPP and Duba-Yurt HEPP.

Russia’s Southern and North Caucasian federal districts currently have insufficient port capacity for fully tapping the freight turnover potential of the Sea of Azov-Black Sea and Caspian Sea basins. In this context, plans are being drawn up for developing trunk rail lines and transportation hubs.

As part of the development of the North-South International Transport Corridor (ITC), the objective of which is to integrate the main transport and information lines of Russia, Azerbaijan, Iran, India and Oman, plans call for rebuilding the M-29 federal highway (Caucasus Motorway), which runs through Grozny.

The freight transportation route (western section relative to the Caspian Sea) will also run via Grozny in the direction of Astrakhan-Makhachkala-Samur and then traverse Azerbaijan as far as Astara on the Iranian border. The Astara-Rasht-Qazvin railway (which is now under construction) will provide a transit corridor across Iran. According to estimates, this route will help boost freight turnover between Russia, Azerbaijan and Iran by 6-20 million tonnes per year.

The significance of the route is highlighted by large investment projects in neighbouring regions. In 2020-2025, a dry-cargo area at the Port of Taman (Krasnodar Territory) will be developed, which will help to boost its capacity to 93.8 million tonnes. Furthermore, a bulk cargo terminal with capacity for 35 million tonnes per year will be built. The development of the Port of Taman will lessen the load at the Port of Novorossiysk (Krasnodar Territory), while also boosting the competitive advantage of the transport hub towards other ports on the Black Sea coast.

Ports on the Caspian Sea also play an important role in the region’s transport system. For instance, a project for the construction of an oil-loading terminal at the Port of Olya (Astrakhan Region) will connect the region with the countries of Central Asia, thereby increasing foreign trade and improving the investment climate in the region.

The Chechen Republic is served by an international airport, Grozny (Severny) Airport, which is one of the largest airport facilities in southern Russia and has a Russian Federation border crossing checkpoint. Major domestic and international airlines serving the airport include Grozny Avia (Chechen Republic), UTair (Khanty-Mansi Autonomous District-Yugra), Aviastar (Kazakhstan), and Avia Traffic (Kyrgyzstan).

The airport serves scheduled flights to destinations in Russia and the CIS countries and plans are now in the works for charter flights to many destinations in Europe as well as CIS and non-CIS countries.
Transport infrastructure

M-29 federal highway (Caucasus Motorway)
Railway infrastructure
Road infrastructure
Grozny (Severny) Airport
Projected railway line
A set of measures has been developed to ensure the energy security of the region, reduce power shortages, and ensure reliable, uninterrupted power and gas supplies to the republic's consumers.

These measures include:
1) Implementing the Comprehensive Programme for Power Grid Development in the Chechen Republic (in 2015-2019 according to the target implementation period). This programme provides for full restoration of the Chechen Republic's electrical power grid facilities and completion of the construction of power engineering facilities.
2) Implementing measures aimed at building power generation facilities as part of the industry-specific regional government programme. Under this programme, plans call for building facilities to use alternative and renewable energy sources in the Chechen Republic (development of installed electric power of 56.3 MW; tapping into the heat power potential of the Khankalskoye deposit – 63.0 Gcal/h);
3) Implementing priority investment projects in the Chechen Republic's energy sector:
   • Construction of the Grozny Combined Heat and Power Plant (CHP) (440 MW)
   • Construction of a chain of 10 HEPPs on the Argun River (710 MW)

PAO Gazprom is currently carrying out an investment project for construction of the Grozny CHP Plant, which will subsequently be transferred to the OAO OGK-2 operating company.

Following the completion of this project, which began in 2015, restrictions will be lifted on power flows from central Russia to the North Caucasus Federal District, thus opening up channels for supplying up to 1 billion kWh of electricity to other Russian regions. The new station's designed capacity is 440 MW of electric power and 280 Gcal/h of heat power. The project will create 300 new jobs. Overall investment in the project will amount to RUB 45.15 billion.

In 2015, the first phase for the construction of a hydroelectric cascade on the Argun River commenced, foreseeing the development 10 stations with total combined capacity of 710 MW. Furthermore, the Kokadoy Small-Scale Hydropower Plant on the Argun River was put into service, with capacity of 1.5 MW and able to produce 10 million kWh hours. The station is serviced by a staff of 15. Investment in this project comes to RUB 256.97 million. Such projects will help to provide electricity, relying on the hydroelectric potential of mountain rivers.
Workforce potential

The Chechen Republic has a young population, making its labour force more competitive in comparison with other regions.

Population distribution by age

- Republic’s residents constitute the working-age population
  - Russian average – 59%
- Working-age population
  - Russian average – 21%
- Population are retirement age or older
  - Russian average – 20%

The Chechen Republic is a leader among Russian regions by birth rate and natural population increase.

In 2014, the rate of natural increase was 19.2 per 1,000 persons, while the average level in Russia was 0.2 per 1,000 persons.

The majority of the population (65%) of the Chechen Republic live in rural areas, while this indicator for the rest of Russia comes to 26%. It is remarkable that the share of rural population is growing, which indicates potential for the development of agriculture.

<table>
<thead>
<tr>
<th>Number of officially registered unemployed residents, thousand people</th>
<th>2009</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of officially unemployed residents</td>
<td>297.1</td>
<td>99.5</td>
</tr>
<tr>
<td>Rate of registered unemployment, %</td>
<td>54.1</td>
<td>15.7</td>
</tr>
</tbody>
</table>
The Chechen Republic’s banking sector includes branches of the following lending institutions:

- Chechen regional branch of AO Rosselkhozbank;
- Chechen office of PAO Sberbank of Russia;
- Chechen branch of PAO Svyaz Bank;
- Yuzhny branch of OOO Anelik RU Commercial Bank;
- 43 internal structural units of lending institutions (branches) and one representative office of OOO Setelem-Bank.

The bulk of the republic’s banking institutions are located in Grozny due to its more developed infrastructure as well as the capital city’s level of economic development and the size of its population. Local subsidiaries of OAO Rosselkhozbank’s regional branch in Chechnya are the main providers of banking services in rural areas.

Participants in the Chechen Republic’s insurance market include branches and additional offices of insurance companies from other Russian regions. There are 27 companies operating in the local insurance market with a total turnover amounting to RUB 634 million, with PAO RESO-Garantia accounting for 44% of the total, or RUB 279 million.

The number of hotel rooms has dramatically increased over the past few years due to the development of tourism in the Chechen Republic. There are 21 hotels operating in the republic, including two five-star hotels: Grozny City and Arena City.

A network of shopping malls is rapidly expanding; Grozny City and Grand Park are the most popular shopping malls.

Grozny City Shopping Mall was built in 2009 and comprises two buildings connected by a glass-paned bridge. The Grozny City complex is located on a seven-hectare land plot. The total area of its buildings is over 20,000 sq m. The complex features the Panorama restaurant, four cafes, five cinema halls, two skating rinks (one each for men and women), a greenhouse, two 25-metre swimming pools (one each for men and women), office space and retail outlets, as well as fountains and waterfalls.

The Grand Park is the first conceptual shopping mall in the republic; 70% of its tenants are new entrants to the Chechnya market. The complex is located in downtown Grozny on Akhmad Kadyrov Prospekt. The shopping mall has a total area of 42,400 sq m. It has both surface parking and underground parking lots accommodating 300 cars. Nearby are the capital city’s main sightseeing attractions, including the Heart of Chechnya Mosque and the Grozny City housing and hotel complex. In 2014, the Grand Park Shopping Mall was named a winner of the CRE St Petersburg and Federal Award, the most prestigious award in the commercial real estate market, in the Medium-Sized Shopping Mall nomination category. The “Golden Brick” award and winner’s certificate were presented at a gala awards ceremony in Sochi.

<table>
<thead>
<tr>
<th>Space rental rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Office space</strong></td>
</tr>
<tr>
<td>Class A, RUB 6,500/m²/year</td>
</tr>
<tr>
<td>Class B, RUB 3,600/m²/year</td>
</tr>
<tr>
<td>Class C, RUB 1,800/m²/year</td>
</tr>
<tr>
<td><strong>Warehouse and production space</strong></td>
</tr>
<tr>
<td>Class A, RUB 6,000/m²/year</td>
</tr>
<tr>
<td>Class B, RUB 1,800/m²/year</td>
</tr>
<tr>
<td>Class C, RUB 1,200/m²/year</td>
</tr>
<tr>
<td><strong>Retail space</strong></td>
</tr>
<tr>
<td>Class A, RUB 18,000/m²/year</td>
</tr>
<tr>
<td>Class B, RUB 7,800/m²/year</td>
</tr>
<tr>
<td>Class C, RUB 6,000/m²/year</td>
</tr>
<tr>
<td><strong>Space in technoparks</strong></td>
</tr>
<tr>
<td>Rental rate:</td>
</tr>
<tr>
<td>from RUB 10,000/m²/year</td>
</tr>
</tbody>
</table>
Economic potential

Business and social infrastructure

The number of business and social infrastructure facilities

- Sightseeing attractions
- Banks
- Hotels
- Insurance companies
- Universities
Economic potential

**GROZNY MALL shopping and entertainment centre**

Grozny Mall is a unique project in the Chechen Republic – it combines innovative architectural solutions with cross-functional infrastructure.

Grozny Mall will be the largest retail and entertainment centre in the south of the Russian Federation, providing the best shopping and entertainment facilities for the residents of near-by cities and people from across the region.

The retail and entertainment area of Grozny Mall will total 132,027 m², including various shops and entertainments, as well as service facilities, parking space and administrative premises. This is more than 25 times bigger than a football field.

Shaped as a crystal, the building will be almost transparent. Only two material will be used for finishing – silver-coloured metal and glass. The architectural design is based on sharp angles and edges, as well as splays and faceted surfaces. This produces an effect of a prism with a surface that reflects colours as day turns into night.

- Total area of the shopping centre — 132,027 m²
- The number of floors — 4 (1 basement floor)
- Underground parking — 818 parking slots
- Leasable area — 55,761 m²

Project architect — Chapman Taylor
Design documentation developer — Blank Architects
Design support and design efficiency assessment — AECOM
Marketing research — Jones Lang LaSalle
Design advisor — Colliers International
**Akhat Tower multi-purpose complex**

AKHMAT TOWER high-rise multi-purpose complex is named after the first president of the Chechen Republic Akhmat-Haji Kadyrov awarded with the title of the Hero of the Russian Federation. The complex will be built in the centre of Grozny, on the right bank of the Sunzha River. It will be a landmark of the Chechen Republic capital city and of Russia in general. This is an unprecedented project due to its geographical location. This will be the first skyscraper in Europe build in a high-seismicity area. The unique seismic stability of the skyscraper is ensured by specially designed construction and technology solutions.

With its proportions and silhouette, the building integrates traditional Nakh (Chechen) architecture. Particularly, the design is based on the architectural look of Chechen 12–16th century family towers. The serrate configuration of the building face reminds of the ancient tower bricking.

AKHMAT TOWER will be combined with GROZNY MALL into one architectural complex by means of a foot bridge built as a passage with panorama restaurants and cafés and an exposition of photographs and history of construction.

Height – 435 m
The number of floors – 102 above-ground floor and 1 basement floor
The total area of the high-rise complex – 261,678.84 m²
Underground parking – 1,200 parking slots
The total area of office premises – 26,795 m²
The total area of the hotel – 16,311 m²
The hotel capacity – 165 rooms
The total area of the serviced apartments – 24,697 m²
The number of serviced apartments – 99
The total area of the residential quarters and penthouses – 78,534 m²
The total number of residential quarters – 325
The number of De Luxe residential quarters – 67
The number of penthouses – 4

**AKHMAT TOWER will be the highest building in Russia and Europe**
International Special Forces Training Centre

This is an unprecedented project in the global practice, as it covers to the maximum extent all currently feasible areas of professional, tactical, special training and athletic instruction. Another unique feature of the project is that the Centre is open for the Russian citizens and for sharing experience with foreign experts. It is also fit for hosting a wide range of world-class competitions.

The Centre is a multifunctional complex of 95 buildings and facilities equipped with advanced special information and engineering solutions. It is located in Gudermes, and its total area is over 400 hectares.

The main building of the Centre has a multimedia centre. With its record-keeping software and hardware, instructors and discipline supervisors can track and analyse on-line the quality of group training and individual performance of each student.

One of the largest indoor shooting galleries in the world (the total area is over 4,000 sq. m).

An open weapons training cluster includes 14 smaller shooting galleries with the shooting range of up to 60 metres, three galleries with the shooting range of up to 200 metres, and one gallery with the shooting range of up to 1,600 metres.

Nine open grounds for trap shooting and sporting (the total area exceeds 3 hectares).

An air training cluster includes two runways (the main runway is concrete and 1,600 metres long, the secondary runway is unpaved and 1,200 metres long), an airfield heliport and a drop zone. The main building of the cluster will have an airborne unit, a flight school and a control centre. An aerodynamics complex is being constructed in the Centre to provide training in a vertical wind tunnel.
An aquatic training centre for divers and rescuers: two indoor swimming pools will be located in the main building, one of them will be 50 metres deep. A tactical water pond is to be built on the premises, with the water surface area of 2 hectares and the depth of 10 metres. Comprehensive programmes for special security of senior government officials and for security firms; Canine, medical, information and technical training, as well as a separate, quite rare area of focus – training of journalists before going to conflict hotspots. A two-level sports centre for fitness workouts, wrestling and cross-fit, as well as well-developed infrastructure for open-air competitive sports, such as football, tennis, volleyball, etc.
The Chechen Republic’s higher and vocational educational system comprises three institutions:
- Grozny M.D. Millionshchikov State Oil Technical University (student body of 7,700)
- Chechen State University (student body of 18,400)
- Chechen State Pedagogical (student body of 5,600)

Chechnya is also home to a religious higher educational institution, the Kunta-Haji Russian Islamic University (student body of 600).

A number of small, innovation-driven research-and-development organisations operate at the Chechen State University and Grozny M.D. Millionshchikov State Oil Technical University. These organisations are engaged in implementing projects in the following areas: biotechnology; biomedicine; robotics; software and ICT; petrochemistry and oil refining; manufacturing of electricity, gas, water and heat metering devices with advanced functionalities; and geothermal surveying; among others.

The republic also has a state-run academic institution, the Chechen Republic Academy of Sciences, and a federally funded research institution, the Kh.I. Ibragimov Integrated Research Institute of the Russian Academy of Sciences. These institutions conduct fundamental and applied research in the history of the Chechen Republic, the Chechen language and grammar, and the archaeology, ethnography, geography and geoecology of the Chechen Republic. They also conduct research in multi-component metal alloys and high-molecular compounds, new material synthesis, biomedical research, ecology research, and geophysical research, including seismology, and social, economic and humanitarian issues related to the region's overall development.
There are about **50 state natural landmarks** in the Chechen Republic. These include 10 wildlife sanctuaries dedicated to protecting certain species of flora and fauna. Other landmark sites include the picturesque landscapes of the Argun Museum of History and Architecture and Natural Reserve, the City of the Dead Necropolis, Lake Galanchozh, Lake Kezenoi-Am, the Kharachoisky and Vashindoroisky waterfalls, and the Grozny dendrological garden, which are of particular interest to travellers and tourists. Some natural resources, such as mineral springs and mud pools, are used for therapeutic purposes. The Chechen Republic boasts all of the amenities that a southern resort area can offer, including spas with hydrogen sulphide and radon baths.

Grozny has successfully integrated modern architectural projects into the overall architectural ensemble and aesthetic look of its downtown area. The city is home to several theatres, including the M.Y. Lermontov Russian Drama Theatre, the Y.K. Nuradilov Chechen State Drama Theatre, the Serlo State Youth Theatre, and the Chechen State Theatre for Young Audiences. The Heart of Chechnya Mosque named in honour of Akhmad-Haji Kadyrov, the first President of the Chechen Republic, is the capital city’s main sightseeing attraction. Part of a uniquely majestic architectural complex, it is considered to be one of the largest mosques in both Russia and Europe.

The republic is home to a wide variety of museums and nature reserves, including:

- The National Museum of the Chechen Republic
- The Argun State Museum of History and Architecture and Natural Reserve
- The Akhmad-Haji Kadyrov State Gallery in Grozny
- The Dondi-Yurt Museum of History and Ethnography (Urus-Martan)
- The Local History Museum in the village of Makhkety (a branch of the National Museum of the Chechen Republic)
- The Khusein Isayev Museum of Local History
- The Arbi Mamakaev Literature and Memorial Museum (village of Nadterechnoye)
- The L.N. Tolstoy Museum of Literature and Ethnography
- The M.Y. Lermontov Museum of Literature
- The Alley of Glory Memorial Complex and Museum of Akhmad-Haji Kadyrov
- The Iles Tatayev Gallery (Grozny)

The Dondi-Yurt Museum of History and Ethnography, located in the town of Urus-Martan, was created by a local resident, Adam Satuyev, in his own courtyard. The museum consists of a group of buildings and premises that replicate the look and feel of an old mountain village. As part of its exhibits, the museum displays exact replicas of architectural monuments in Chechnya’s mountainous districts, such as residential and military towers erected by ancient masters in the medieval period using unique technologies. The Tsoi-Pede (City of the Dead) Necropolis is a unique ancient site located in the Itum-Kalinsky District. While researchers have been unable to determine its exact age, the consensus opinion is that it was built in or before the 5th century AD.
Economic potential

Grozny Sea Sports and Recreation Complex

A project worth RUB 60 billion is being implemented on an area of 259 hectares along the coast of the Chernorechenskoye Reservoir, which was created by an 800-metre embankment dam. The project was officially announced in 2013.

The Grozny Sea Sports and Recreation Complex includes:

- a landscaped coastline along the Chernorechenskoye Reservoir;
- separate beach zones for men and women;
- a five-star hotel;
- an arboretum;
- a lookout point;
- a floating two-level restaurant;
- a multifunctional entertainment centre with water attractions;
- a multicolour water fountain;
- a football camp;
- training grounds.
Contact details

A direct channel for communications between investors and the leadership of the Chechen Republic has been established to facilitate the prompt resolution of problems and issues that arise during the investment process.

This channel offers:

- the opportunity to contact the Head of the Chechen Republic by visiting the Internet reception function featured on the official website of the Administration of the Head of the Chechen Republic and the Chechen Republic Government – **www.adminchr.ru**;

- a telephone **hotline** at the following number: [☎] +7 (8712) 22-45-53.

Contact details of the heads of executive agencies of the Chechen Republic Government:

- Khasan S. Khakimov [☎] +7 (8712) 22-35-25
  Deputy Prime Minister of the Chechen Republic;

- Abdula A. Magomadov [☎] +7 (8712) 29-27-27
  Deputy Chairman of the Chechen Republic Government; Minister for Economic and Territorial Development and Trade of the Chechen Republic;

- Galas S. Taimaskhanov [☎] +7 (8712) 22-21-79
  Minister of Industry and Energy of the Chechen Republic;

- Musa M. Dadaev [☎] +7 (8712) 21-21-67
  Minister of Agriculture of the Chechen Republic.

The Chechen Republic’s investment website can be visited at: **www.chr-invest.ru**

An investment map of the Chechen Republic can be found at: **www.investmap95.ru**