

# Dagestan - Growing Steadily

*It is generally accepted that the highest income is brought to the investors by underappreciated players in the market. When it comes to the Russian regions, one of these yet underrated players is the Republic of Dagestan. Favorable location of the region at the crossroads of Europe and Asia, on the border with the five Caspian states has a particular importance for the economy of the region and, at the same time, identifies potential points for the business development in Dagestan.*

Firstly, in the nearest future Dagestan can become a buffer zone in trade relations with Azerbaijan, Georgia, Turkmenistan, Kazakhstan and Iran. It has a modern sea port (with the load not exceeding 50% at the moment) and a railway line connecting the republic with the central part of Russia. Trade relations are backed by the agreements signed by the government of the Republic with the representatives of all the Caspian states. The feeling that everything here is ready and waiting for some catalyst to trigger the avalanche growth is in the air.

The second advantage of Dagestan are it's unique climatic conditions that allow to grow a wide range of fruit, vegetables, to be engaged in viticulture, as well as to develop a network of coastal resorts (400 km (!) of sandy beaches along the Caspian Sea) and recreational facilities (in mountainous areas). Qualitative indicators of mineral waters and mountain air of the Dagestani resorts far exceed their European counterparts. At the same time, many of the mountainous regions of the republic have good transport links. It is important to note that the resort and recreational sphere is open and waiting for investors. There are very few completed projects in this sphere, so competition does not yet exist.

In agriculture, the situation is somewhat different. There is a number of major projects, some with foreign capital that are being implemented: JSC "Kizlyaragrocomplex", LLC "Agrico North Caucasus", "Agro-Invest" SEC "Niva", LLC "Ecoproduct", LLC "Agromir", LLC "Ecoterra". The largest of them using foreign technology is "Dagagrokompleks." It provides for the construction of a sugar plant, a feed-processing plant and a vegetable processing plant, as well as creation of a center for the storage of semi-finished and finished products. This project is worth more than 19 billion rubles is realized by the investor with the active support of the Government of the Republic. Being a public-private partnership it has a part of the funds given by the investor, and another part that is provided by the state in different forms.



*To put it in a nutshell, Dagestan is open. Welcome!*

This form of financing new business is convenient because it provides the necessary guarantees to the investor and reduces the volume of attracted equity (program "Creation of favorable conditions for attracting investments into the economy of the Republic of Dagestan"). Type of cooperation in the framework of the program has been repeatedly tested and proven to be effective: in 2012 the program supported only 2 projects and in 2013 their number has risen to 11. The amount of investment in fixed assets has also increased from 19.529.9 mln rubles to 39187.39 mln rubles.

Hydropower could be one of the drivers of Dagestan's economic growth. The fact is that among the Caucasian republics of Dagestan stands out with its good water availability due to the mountain rivers (Sulak, Samur) and their numerous tributaries. Rivers trapped in gorges became an excellent base for power plants, especially on the mountain rivers of Andean and Avar Koisu (Chirkei, Miatlinskaya, Gotsatlinskaya hydropower plants and others). At the same time, the capacity of these rivers is far from being exhausted, and allows to construct a hydroelectric system (conducted research and pre-design work has already been done). Sales of electricity produced, considering Dagestan's indicators, will face no problems.

The basis of high performance indicators of Republic's industrial growth are enterprises, both small and big ones that noticeable even on the scale of Russia. One of the largest light industry enterprises will be "Nergiz-Dagestan" - light industry sewing enterprise, created with the participation of Turkish investors, that will employ about 5,000 people.

Another energy-intensive production created by private investors is one of the most modern plants in Russia for the production of glass - "Caspian flat glass plant." The company with the highest degree of automation has already reached its designed capacity, and employs about 600 people.

Summarizing everything said above, we bring forward the most important indicator. Over the past two years, the country's GDP growth figure held steady at about 5.4%. This indicator can tell you a lot. First of all, this decent rate is a result of the implementation of a series of measures designed to create the most comfortable conditions for Russian and foreign investors. This applies not only to a guaranteed warm welcome and almost mandatory discovery of the magnificent Dagestani cuisine, but primarily refers to business relations, to a rapid and effective elimination of all barriers to implement investment projects and to create new businesses.

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