THE REPUBLIC OF KOMI
DEAR SIRS!

The Republic of Komi is a dynamically developing region of Russia. We have a unique mineral resource base, developed transport infrastructure, communications, educational, scientific and personnel potentials. All this combined is a viable basis for establishing and maintaining business in the Republic in various fields.

Investment attracting and protecting is the strategic direction of the Government of the Republic, which received particular attention. We make every effort to make the fullest possible to realize the potential of the republic for the benefit of its people. After all, it depends on raising the level and quality of life in the harsh climatic conditions of our region.

Thanks to a stable political environment, a coherent economic policy pursued by the Government of the Republic of Komi, our region, according to independent experts, refers to the subjects of the Russian Federation with the highest credit and investment ratings among the Russian regions.

This enables us to successfully execute on this territory modernization programs, expansion schemes for existing industries and create new businesses. Currently, it is evident for everyone that only joint efforts, an open dialogue between the government, business and financial circles and science contribute to increased business activity and investment and economic development of Russian regions. I think this booklet will be a first step towards such a dialogue.

I am confident that the presentation material will be interesting and useful for you and it will serve as an effective guide and consultant in the field of investment activity in the territory of this republic. I hope that every potential investor and partner will be able to find in this edition comprehensive information about the development prospects of the Republic of Komi, and the opportunities and resources available in this republic.

Head of the Republic of Komi
Vyacheslav GAIZER
The Republic of Komi

The Republic of Komi is located in the north-eastern extreme of the European part of Russia, within the boundaries of the Pechora and Mezen-Vychegda Lowlands, Mid- and Southern Timan, and the western slopes of the Ural Mountains (Northern, Pre-Polar and Polar Urals).

In the west, north-west and north, the Republic of Komi borders on Archangelsk Region and Nenets AO as its sub-area, in the east on Yamalo-Nenets AO and Khanty-Mansi AO as sub-areas of Tyumen Region, in the south-east — on Sverdlovsk Region, in the south — on Perm Territory, in the south-west — on Kirov Region. The republic’s total borderline length is 4,415 km.

The distance between Moscow, the Russian capital, and Syktyvkar, the capital of the Republic of Komi, is 1,410 km.

Territory

The territorial area of the Republic of Komi is 416,800 km². The greatest length from the south-west to the north-east is 1,275 km, from the north to the south — 785 km, from the west to the east — 695 km.

A considerable part of the territory is a hilly plain. The Ural Mountains serve as an eastern border, the Timan Ridge crosses the Republic from the north-west to the south-east. Between the Urals and the Timan, there is the Pechora Lowland, in the west — the Mezen-Vychegda Plain.

In terms of the Republic’s land stock, 74.6 % is covered by forests and shrubs, 9.8 % — swamps, 1.5 % — water, and 1.0 % — agricultural land. 20 % of the entire land is used for reindeer grazing.

Climate

The location in the subarctic (in the extreme north and north-east) and moderate (in most of the territory) climatic zones causes the climate with long, rather severe winters and short, relatively cool summers. The average temperatures in the Republic of Komi in January are from minus 17.5 degrees in the south to minus 26.6 degrees in the northeast, in July — from plus 15.1 degrees in the south and up to plus 12.2 degrees in the northeast.

The territory of the Republic of Komi is a zone of excessive moisture. A significant predominance of rainfall over evaporation, the topography and geological structure cause increased wetlands and a developed drainage network.

Population

The Republic is a multinational region: it is home to just under 1.0 mln people in more than 100 nations and nationalities. Nationally, the Russians (59.6 %) and the Komi (25.2 %) prevail. The average age of the people is 35 years. 76 % of the people live in urban areas and 24 % are village residents.

Key historical dates

The territory of the present-day Republic of Komi began to be settled, presumably, around 300,000 years before. An indisputable evidence of the settlement area dates as far back as around 40,000 years ago. Since the 60s in the XIII c. the Komi land called «the Perm» and «the Pechora» was a part of the list of the Novgorod districts, and in 1478 the territory became an integral part of the Russian state. Since the XVI c., the Komi, together
with the Russian, rendered habitable the Upper Vychegda area and the Mezen and the Pechora basins. The territory was divided into lands, districts and churchyards. With the establishment of the first provinces in 1708, the territories inhabited by the Komi, were incorporated into the counties of the Archangelsk and Vologda provinces. At the late XIX c. the present-day Komi territory was finally formed.

Since August 1921, Komi Autonomous Oblast was established as part of RSFSR making the Komi people, long estranged in terms of administrative-territorial basis, for the first time in its history was able to reunite as a national entity with single centralized management. Administratively, the province was divided into 4 large counties.

In 1936, Komi Autonomous Oblast was renamed as Komi Autonomous Soviet Socialist Republic. On 29 August 1990, at the second extraordinary session the Supreme Council of Komi ASSR passed a declaration of state sovereignty of Komi ASSR. Later, on November 23 of the same year, the Republic was transformed into Komi Soviet Socialist Republic, and on 26 May 1992 Komi SSR became known as the Republic of Komi.

According to the Constitution of the Republic of Komi, adopted at the 18th extraordinary session of the Supreme Council of the Komi Republic of the 12-th convocation in 1994, «the Komi Republic (the State) is an equal subject of the Russian Federation».

The Komi Republic has full state power in its territory except for those powers in competence of the Russian Federation and the joint jurisdiction of the Russian Federation and the subjects of the Russian Federation.

**Administrative structure and state authorities**

The Republic of Komi is composed of administrative-territorial entities: districts and settlements. The cities of republican status include Syktyvkar, Vorkuta, Ukhta, Sosnogorsk, Usinsk and Inta.

The state power in Komi is based on the separation of legislative, executive and judicial branches that are represented by the State Council of the Republic of Komi, the Head of the Republic of Komi, the Government of the Republic of Komi and other Komi executive authorities, the Constitutional Court of the Republic of Komi and magistrates.

The Republic of Komi recognizes and guarantees local self-government that pursues its powers independently. The local authorities decide issues of local importance, and are endowed with certain state powers with the transfer of the necessary material and financial resources for those purposes. Implementation of the delegated powers is controlled by the relevant authorities. The local authorities are not a part of the state authorities of the Republic of Komi.
Subsoil resources

The Republic of Komi is a storehouse of natural resources, with mineral resources being at the top.

The fields explored on the republican territory contain about 80% of quartz fibers, 50% of titanium, 30% of bauxites, 13% of barites, 4.5% of coal, and 3% of oil.

The Timan-Pechora Oil and Gas Province is one of the largest in Russia in terms of hydrocarbon potential. Much of it lies within the administrative borders of the Republic of Komi.

The Republic localizes 50.1% (4,167.5 mln tons of standard fuel) of the initial aggregate resources across the Timan-Pechora Province, including 2,180.9 mln tons of oil (44.4% of the stocks in the province), free gas — 1,673.3 bln cu. m (59.3%).

There have been discovered in the Republic 153 hydrocarbon deposits, including 115 of oil fields, 5 — oil and gas fields, 9 — oil-gas condensate fields, 24 — gas and gas-condensate fields.

The Pechora coal mining basin takes the second place in Russia in terms of stock and contains the entire spectrum of coal. It allocates 32 fields and coal-bearing areas with the total geological resources of 341 bln tons. That said, 11 coal fields deposits containing over 7 bln tons of economic reserves of coal are being developed. Since the start of development of the basin fields (1930s) there has been extracted over 1.1 bln tons of coal.

At present, coal is mined at 6 coal mines and 1 coal strip mine in the Basin with the total production capacity of 14 mln tons of coal per annum.

The Yarega Oil Titanium Field located in Ukhta District contains around 50% of the Russian titanium reserves. The construction project for Yarega Mining and Chemical Mill implemented by LLC Yarega Ore is important for the future of Russia. The project aims at mining and dressing of oil titanium ore in Yarega Oil Titanium Field. It is expected to build a mining and chemical mill with the capacity of 650,000 tons of ore per annum, to organize dressing to obtain final economic products, including titanium dioxide pigments that are scarce products in Russia.

The oil shale reserves in Komi are concentrated in two basins: Timan-Pechora Basin and Vychegda Basin. The reserves in the Chim-Loptyug Field located in Udora District are estimated at over 900 mln tons. Oil shale can be used virtually in any known area of application: both as fuel and process raw material, production of resin, drugs or micronutrients, etc. Peat reserves located in numerous fields are also related to solid fossil fuels.

The Republic of Komi has 5 raw quartz fields containing about 80% of the Russian stockpiles of vein quartz.

The forecast barite ore resources in the Polar Urals in the Hoylin Barite Ore Field are estimated at 30% of all known reserves of barite in the Russian Federation and 14% of the stocks that are concentrated in Western Europe. The Republic has the necessary conditions to construct a concentration mill for barite concentrate production.

Complex non-metallic minerals are represented by large deposits of mineral-building materials (plaster, glass sands, construction and facing stones, cement raw materials, sand and gravel materials, sand, clay, mineral pigments, etc.).

The raw material base of manganese ore with the economic reserves of 30 mln tons is represented by Par-nokskoye Ferromanganese Field located on the western slope of the Polar Urals. The field is developed by OJSC Manganese Komi, a branch of OJSC Chelyabinsk Electro-metallurgical Company.

The Republic of Komi also has the reserves of gold ore and CJSC Gold Minerals plans to start its development (Chudnoye Field in the Polar Urals).

The Republic has a rare combination of crystalline and raw gem fields (Polar Urals jade, jadeite, colored chalcedony, Polar Urals rhodonite, rock crystal, amethyst and citrine) suitable for the local production of jewelry and souvenirs.
The fields and occurrences of rare metals (niobium, tantalum, molybdenum, and tungsten), scattered metals (gallium, scandium), and rare earth metals (cerium and yttrium groups) have been identified in the Timan and the Polar Urals areas. The booked reserves have been accounted for only for niobium, tantalum and rare earth metals.

Investment policy

The formation and identification of long-term priorities for the Komi economic policy and, hence, increasing the transparency of the business environment is one of the key factors for improved business activity and investment attractiveness of the Republic.

To this end, the Government of the Republic of Komi has created a system of advance planning. The basis of this system is the Strategy of Economic and Social Development of the Komi Republic that defines the basic goals, objectives and priorities of economic and social development of the Republic up to 2020.

Within the framework of the Strategy by the Government of the Republic of Komi, a balanced investment policy is systematically built up. Its key areas are as follows:

- creation of a regional investment policy that meets long-term national interests;
- state support for priority industries, infrastructure and social services, as well as strengthened controlling of the use of the budgetary funds;
- intensification of foreign capital attraction taking into account the national and economic security of the country.

The authorities of the Republic of Komi, in accordance with the laws of the Russian Federation and the Republic of Komi, guarantees for all the subjects of investment activity, irrespective of ownership:

- equal rights in the implementation of investment activities;
- transparency in the discussion of investment projects;
- compliance with the terms of contracts and investment agreements with the subjects of investment activities;
- investment protection;
- encourage investment;
- stable rights of the investment subjects.

Investment Highlights

The Republic of Komi has a high investment potential. The basic highlights of investment attractiveness of the region are as follows:

- the political, social and economic stability;
- the existence of regulatory framework supporting investment activity;
- a unique combination of mineral resources in terms of reserves, occurrence, diversity and quality;
- cheap energy;
- high-skilled staff;
- the budget system’s own financial resources and high quality financial management.

The attractiveness of the investment image of the Republic has been approved by the leading global and domestic rating agencies.

Economy

The Republic of Komi today is a Russian region with a developed industry, which is almost completely provided by domestic raw materials, energy and labor.

The Republic of Komi is a leader in the Northwestern Federal District in terms of major industrial output: oil, gas and coal, nonwovens, wood products (plywood and particle boards), and pulp and paper products (paper and cardboard).

In terms of plywood production, the Republic of Komi takes the 1st place among the Russian regions (accounting for nearly one-third of the total production of plywood in Northwestern Federal District and nearly 11% of the Russian output). In terms of paper production, the Republic of Komi is ranked # 2, and in terms of cardboard production — ranked # 4.

The Gross Regional Product (GRP) of the Republic of Komi grew from RUR 171.3 bln in 2005 up to RUR 314.1 bln in 2009 and it constitutes about 1% of the Russian GDP.

The investment ratings of the Republic of Komi

<table>
<thead>
<tr>
<th>FitchRatings</th>
<th>Moody's</th>
<th>ЭКСПЕРТ РА</th>
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<tr>
<td>International long-term foreign currency debt rating: BB</td>
<td>National scale credit rating at: Aa2.ru</td>
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<tr>
<td>Long-term rating forecast: Stable</td>
<td>Forecast: Stable</td>
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TABLE 1

GRP structure in Komi by lines of economic activity (% of the total)

<table>
<thead>
<tr>
<th>Economic lines</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mining</td>
<td>34.3</td>
<td>32.4</td>
<td>26.7</td>
<td>31.8</td>
<td>30.4</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>11.7</td>
<td>10.0</td>
<td>12.9</td>
<td>10.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Electricity, gas and water</td>
<td>3.9</td>
<td>3.6</td>
<td>5.0</td>
<td>4.5</td>
<td>5.3</td>
</tr>
<tr>
<td>Agriculture, hunting and forestry</td>
<td>2.9</td>
<td>2.5</td>
<td>2.5</td>
<td>2.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Building</td>
<td>7.0</td>
<td>8.8</td>
<td>7.6</td>
<td>7.8</td>
<td>6.9</td>
</tr>
<tr>
<td>Wholesale and retail trade; motor maintenance</td>
<td>8.9</td>
<td>9.4</td>
<td>10.6</td>
<td>9.8</td>
<td>9.1</td>
</tr>
<tr>
<td>Transport and communications</td>
<td>12.6</td>
<td>11.5</td>
<td>10.1</td>
<td>9.6</td>
<td>9.7</td>
</tr>
<tr>
<td>Others</td>
<td>18.7</td>
<td>21.8</td>
<td>24.6</td>
<td>23.5</td>
<td>26.3</td>
</tr>
<tr>
<td>Total GRP, RUR bln</td>
<td>171.3</td>
<td>218.5</td>
<td>241.2</td>
<td>295.6</td>
<td>314.1</td>
</tr>
</tbody>
</table>
The main contributors to the GRP of the Republic are such economic sectors as mining, manufacturing, construction, trade, transport and communications. They accounted for more than 71% of the Komi GRP.

The Komi companies play a significant role in the All-Russian industrial output. Table 2 gives their shares by types of products.

In spite of the hard economic situation both in Komi and Russia in 2009, the industrial output in the Republic went down only by 1.4% compared to the figure of the previous year, basically, in mining, electricity, gas and water production and distribution.

**Oil production**

The Komi oil industry develops steadily. It can be explained by commissioning new oil fields as well as efficient assimilation of the new technologies for increased oil production, including those used in extra-heavy oil production in the Yarega and Usinsk oil fields.

The bulk of production accounted for LUKOIL-Komi, LLC RN-Severnaya Neft and LLC Yenisey. In the sectoral industrial output structure, the share of the oil industry was about 43%.

According to the forecasts, oil production, including gas condensate, in Komi in 2010–2012 will amount to 13.4–13.5 mln tons annually.

**Petroleum refining**

The development of oil refining in the in the Republic is due to the presence of an extensive market for petroleum products in the Northern Economic Region. The key element of the oil refining industry is JSC LUKOIL-Ukhta Oil Refinery. The company has a fuel profile and specializes in producing gasoline, diesel fuel, kerosene, fuel oil, bitumen, vacuum gas oil and other products. The production capacity of the existing units for primary distillation is 4.5 mln tons per annum.

**Gas production and refining**

The major industrial stocks of free gas are on the balance of LLC Gazprom processing, which is a part of Gazprom. LLC Gazprom Processing performs extraction and processing of gas. The core of the Komi gas industry is located in Vuktyl District where 88% of free gas is produced.

Sosnogorsk Gas Refinery processing plant is the only company in the Northwestern Federal District that refines natural gas and unstable gas condensate. The annual capacity of Sosnogorsk Gas Refinery is 3 bln m³ of gas and 1.25 mln tons of unstable condensate. The main products include carbon...
THE REPUBLIC OF KOMI

black, motor gasoline, liquefied gas, stable gas condensate, gas stabilization, dry gas and rubber products.

The future development prospects for the gas industry of the Republic are largely due to the implementation of the Yamal Mega Project, which will involve the development of small gas fields and will lead to reassessment of the development prospects for in the areas of the western slopes of the Polar and Pre-Polar Urals.

Coalmining

Currently, 4 coal fields are being developed in the Pechora Coal Basin: Vorkuta Coal Field and Yunyaga Coal Field (coking coal), Vorgashor Coal Field (coking and steam coal), and Inta Coal Field (steam coal). Coal is produced by underground mining at the mines that are the property of JSC Vorkuta Coal (Severnaya, Vorkutinskaya, Komsomolskaya, Zapolarnaya), as well as JSC Vorgashor Mine 2 and JSC Inta Mine (a part of JSC Inta Coal Company). Coal has been also produced by open-cast mining at the quarry «Yunyaga Coal Strip Mine» since 2002. Almost all coal mined in the basin is subject to preparation (enrichment) at coal preparation plants or installations.

In general, 6 mines, 1 coal-strip mine and 4 processing plants are in operation in the coalmining sector of the Republic. The total production capacity is 14.4 mln tons of coal a year. In 2009, the enterprises in the Pechora Coal Basin produced 11.8 mln tons of coal and 5.0 mln tons of coal concentrate.

All working and tunnel faces of the coal mines in the coal basin are fully equipped with modern heavy-duty mining machinery by the domestic or foreign manufacturers. A new level of coal output transportation has been reached using heavy-duty belt conveyors and monorail diesel transport.

In 2009, the rate of investment in primary production in coalmining in the Republic was RUR 3.5 bln. Mostly, investments were made by JSC Vorkuta Coal under its own investment program.

The key challenges facing the coal industry of the republic include the stabilization of coal production at the level of 14—15 mln tons per year, ensuring a growth of economic efficiency of mining operating and improving the quality of the output products.

Timber industry

The Republic of Komi is one of the leading Russian forestry regions. The timber industry is second largest in the Republic’s industrial structure. It is represented by logging, woodworking, and pulp and paper companies. The key players in the local timber sector are operations engaged in sawing, production of construction parts and wood-based panels, and plywood produc-
The pulp and paper sector manufactures paper and sanitary products.


Mondi Syktyvkar is the leading pulp and paper operation in the Republic. Its annual production capacity is 570,000 tons of pulp (pulp cooking) and 858,000 tons of cardboard and paper products. The company specializes in producing office and offset paper and also produces newsprint, linerboard, topliner and Kraft liner products. The share of Mondi Syktyvkar in the Russian market of offset paper is over 40% and in the Russian cardboard market — 55—60%.

The half of the manufactured paper products are exported to global 80 countries. The share of deep processed products is over 88% of the total timber and paper products produced in the Republic.

The basic priorities of woodworking and pulp and paper are reaching the design production capacities for boards, sawing products, and gaining the increased competitiveness of the products in the domestic and international markets by improving the quality and developing the new products. The most promising direction for further developing the sector is the creation of high-efficiency operations for timber deep processing.

Mining complex

The mining complex of the Komi Republic is in its infancy and is characterized by a large spectrum of areas (development of deposits of ferrous, nonferrous, rare, and other metals, nonmetallic minerals, primarily, used as mineral building materials).

The existing companies extracting a wide range of building materials, barite, quartz, manganese, as well as a range of various solid mineral deposits explored and prepared for industrial operation form a reliable basis for further development of the mining complex in Komi.

Electricity

The power system of the Republic is a single, almost closed territorial complex, consisting of five energy units connected by a backbone single circuit transmission line (220 kV) over the length of more than 1,000 km. The total length of the electric networks is: 1,610 km of main power lines and 20,674 km of distribution power lines.

In Komi there are over 1,200 power plants. Electricity generation in the Republic's power system is almost entirely done by thermal power plants (TPP) with the total installed capacity of 2.5 mln kW. The fuels used include gas, coal, fuel oil, diesel fuel, and waste wood.

In 2009, electricity production totaled 9.48 bln kWh, of which more than 91% was produced by such companies as OGK—3 Branch, Pechora TPP, CHP of Mondi Syktyvkar, JSC TGC—9.

Alongside the centralized power supply the power system of the Republic prices provides district heating from power plants and large boilers.

Transport and telecommunications

The transport complex of the Republic is part of the Russian transport and communications system. Russia possesses the basic modes of transport, its transport links in terms of placement and structure as a whole meet intra and external communications.

The transportation network of the Republic consists of 7 airports, 1,700 km of railway and 4,100 km of public navigable inland waterways, 8,300 km of public highways, of which 6,000 km are hard-surface roads. In the Republic of Komi per 1,000 m² there are 20.0 km of highways, 4.1 km — of railway, 9.8 km — of navigable waterways.

The Kotlas — Vorkuta railway main line with the total length of 1,700 km makes the backbone of the public railway network in Komi.

The development of mineral resources in the region, as well as the implementation of quite a number of investment projects are directly related to the prospects
of implementing a major infrastructure project, Belkomur Railway Project, aiming at connecting Perm Krai, the Republic of Komi and Archangelsk Oblast by the shortest transportation route and giving a direct access to northern sea ports for manufacturers that operate in those regions.

In the Republic of Komi, telecommunication is represented by almost all of its available modes. The telecommunications market is one of the most rapidly growing economic sectors in Komi. The provision of telecommunications services in the territory of the Republic is made by over 30 operators. The basic telecom operator is the Komi Branch of OJSC Northwestern Telecom.

The companies operating in the telecom market are offering a full range of telecommunications services including local, long distance and intracommunications, data transmission and Internet access services, lease of channels, ISDN services, multi-service network services, information services, GSM–900/1800 digital cellular communication services and 3G mobile communication, video conferencing services, etc.

The telecommunication services stations are placed in all localities of the Republic.

**Construction**

In the Republic of Komi there are 2,128 registered organizations that operate in the construction sector.

Out of the total building works and services almost 2/3 falls on building organizations and about a quarter on small construction companies.

The high business activity of the Komi construction sector is facilitated by the population’s stable and dynamic housing demand. As a result, the development of low-rise housing construction is one of the construction sector priorities.

An integrated industrial plant manufacturing prefabricated wooden houses has been built in Syktyvkar in cooperation with the Investment Projects Support Fund of the Republic of Komi. 1st production line on manufacturing framed and solid wood houses was officially launched in 2009. After the plant’s projected capacity is attained, its annual output will make up some 50,000 ml of prefabricated dwelling houses.

Within the Republic of Komi there is a number of enterprises manufacturing laminated veneer lumber, glued wood window units, balcony doors, floorboards and moldings, etc. e.g. Luzales Ltd., Dekostroy Company and Lesozavod # 1 Ltd. manufacturing wooden house structural components in Kazluk Village in Ust-Vymsky District.

There are enterprises adopting new house building technologies, in particular, Gorstroy Ltd. manufacturing brick-bearing-wall and monolithic-frame-cast-in-place houses. These technologies make it possible to improve significantly the architectural aspect of houses and provide extra building up and outside wall reconstruction opportunities.

There is a sustainable increase in the amount and volume of housing construction and acquisition loans provided to the population. In 2009 2.9 thousand housing loans were given totaling RUR 2.2 bln.

In order to develop housing construction activities and improve the population’s living conditions, various state support measures in the field of housing construction and acquisition are being realized in the Republic of Komi, including measures implemented within the framework of relevant federal and regional target programmes such as «Housing», «Social Rural Development up to 2012», etc. In 2008–2009 almost 3,000 families received the state support under these programmes.

**Banking Sector**

The banking sector of the Republic of Komi is represented by 3 independent commercial banks, 34 commercial branches, 18 operational offices, 132
supplementary offices, 86 out-of-the-office cash counters, 11 lending and cash services offices and a representation office.

The Komi banking sector is characterized by high levels of the asset concentration, the retail deposit market and the capital of credit institutions. The credit institutions’ capital adequacy ratio is within the acceptable level established for all credit institutions.

The banking sector activities are characterized by further growth of the credit institutions’ resources and the aggregate capital as well as by developing systems of payments using bank cards, with international payment systems occupying the leading positions.

The share of retail deposits is the largest one in the liabilities of the Komi banking sector. As for the credit institutions’ asset profile, credit investments account for the largest share.

**Small Businesses**

According to the results of 2009, there are 38,068 business entities in the Republic of Komi representing small and medium-sized businesses. Among them there are 106 medium-sized, 1,482 small and 12,798 micro-enterprises, 23,682 private entrepreneurs.

The SME entities provide 80 % of the retail turnover and 34 % of the consumer services in the Republic of Komi.

There is a significant share of small and medium-sized enterprises in manufacturing single products such as mineral water (91 %), metal-plastic windows (63 %), doors (56 %), pastry (40 %), cheese (38 %), butter (36 %), smoked fish (21 %).

The vast territory of the Republic of Komi and the distances between settlements promote the development of transport SMEs. In 2009 4.9 mln tons of goods were transported by small companies.

There are facilities available in the Republic of Komi to provide consulting, financial and property support to entrepreneurs. There are also opportunities for them to be trained on relevant educational programmes.

To create the favourable environment for carrying out business activities in the Republic of Komi, the necessary legal framework for governing SMEs has been established. There are also operating target programmes on SMEs support and development.
Consumer Market

The consumer market of the Republic of Komi includes 11,997 private entrepreneurs and 4,844 legal entities, with 4,794 of them acting as SME entities. There are over 6,000 trading companies, 485 catering facilities and 520 consumer service enterprises in the Republic of Komi.

To support the development of trade in hard-to-reach and remote settlements, the transport costs incurred by trading companies and entrepreneurs for delivering goods are partly reimbursed.

The public catering is currently undergoing significant changes. The increasing competition in this segment of the consumer market promotes the improvement of quality and variety of both the enterprise interior and cuisine.

The retail turnover per capita in the Republic of Komi is the second largest in the North-West Federal District yielding only to Saint Petersburg.

INVESTMENTS AND INNOVATIONS

Investment Activities

According to the results of 2009, the amount of capital investments aimed at the socio-economic development of the Republic of Komi was up RUR 108.4 bln, that is, 34.5 % of the gross regional product (GRP).

The highest investments were made in capital assets in:
- Transport and Communication (51.2 %);
- Mining operations (19.7 %);
- Manufacturing activities (14.2 %);
- Power, gas and water production, transmission and distribution (5.1 %).

The volume of public health and social service investments, including research and development investments was also increased.

The Republic of Komi is one of the leading North-West Russia regions in terms of the capital investment per capita. The republican index is more than twice as the average Russian index.

According to the results of 2009, the amount of foreign capital accumulated by the republican organizations was up USD 1.57 bln.

USD 904.0 mln of the total foreign investment made in 2009 were capital (60 %), in raw materials and component parts (15.2 %) and loan repayments (14.5 %).
In 2009 direct foreign investments were made mainly in the companies performing manufacturing activities (USD 167.0 mln or 78.4 % of the total direct investment).

Germany and Austria, which were major investors in 2009, are considered to be stable investors for the Republic of Komi as well as Great Britain, Finland, Cyprus and Sweden.

Target republican programmes are effective mechanisms of the Strategy implementation which make it possible to join efforts for the integrated solution of social and economic problems.

The following target republican programmes are being currently implemented in the Republic of Komi, which have been adopted according to the republican priorities of socio-economic development, in particular:
- «Development of Vocational Education in the Republic of Komi for 2009—2010»;
- «Development of Physical Culture and Sports Infrastructure in the Republic of Komi for 2008—2011»;
- «Housing» for 2008—2012;

Innovations

Due to its natural and historical reasons, the Republic of Komi mainly applies the innovations borrowed from outside. The major users of high technology products in the Republic of Komi are large and medium-sized companies, their number amounts to more than 20. The small business innovative activity is being currently increasing. Over 100 small enterprises use various innovations.

The total volume of innovative products is growing very fast and makes up over RUR 10 bln.

The key activities implemented by the Government of the Republic of Komi to support scientific and innovative activities are as follows:
- Financial support;
- Organizational support;
- Information and advisory support to companies performing innovative activities;
- Staffing support and engagement of the youth in the Republic of Komi in scientific and innovative activities;
- Support and development of research activities in the Republic of Komi;
- Promotion of economic and social innovations.

Interregional and Foreign Economic Cooperation

The major objective of the development of international and interregional links of the Republic of Komi is its efficient integration in the economy of Russia and the development of cooperation with RF regions, CIS and far-abroad countries.

The special emphasis is laid on the strengthening and extension of mutually beneficial relations with the North-West Federal District regions, countries of the Barents Euro-Arctic Region (Finland, Sweden, Denmark and Iceland), Finno-Ugric countries and regions (Finland, Hungary, Estonia), North Europe, the European Union and CIS countries.

The Komi foreign trade turnover increases from year to year. Among the partners of the Republic of Komi there are companies from more than 100 countries, mainly from Belarus, Finland, Netherlands, Poland, Germany, Kazakhstan, Ukraine and Iran.

The Republic of Komi has trade relations with more than 70 regions of the Russian Federation, with the most developed economic ties with Arkhangelsk, Vologda, Kirov, Moscow and Nizhny Novgorod oblasts as well as the City of Moscow and the City of Saint Petersburg.
LABOUR POTENTIAL

Manpower Policy
There are special activities governing staff resources in the Republic of Komi aimed at efficient providing the regional labour market with necessary staffing resources according to the strategic objectives of the republican development. For this purpose a 5-year experienced personnel demand forecast has been made, on the basis of which the network of republican vocational training institutions has been restructured.

There is a set of measures aiming to train managers and specialists of the economic branches in the Republic of Komi. Almost a thousand of people are annually sent to training and retraining programmes. The necessary funds are allocated from the republican budget.

Since 1998, within the framework of the State Plan for training managers for organizations of the national economy of the Russian Federation, over 800 specialists from organizations of the Republic of Komi have been trained and got occupational retraining diplomas in various fields.

Since 2001 the Regional Programme on Occupational Retraining of the Small Business Management has been implemented. More than 200 managers and specialists, mainly from rural areas of the Republic of Komi, have been already participated in it.

Since 2006, the competition on the best organization of personnel development has been held among enterprises of the Republic of Komi organized by the Ministry of Economic Development of the Republic of Komi in cooperation with the Union of Industrialists, Entrepreneurs and Employers of the Republic of Komi and the Komi Chamber of Trade and Commerce.

There are over 1,700 special training and retraining programmes for the specialists engaged in manufacturing sectors of the republican economy which are implemented in educational institutions, training centers and training facilities of the republican enterprises. The relevant information is posted on the official portal of the Ministry of Economic Development of the Republic of Komi.

Population Employment Policy
The Employment Service of the Republic of Komi is a well-functioning system using modern technologies and responsive to the labour market demand, promoting the population employment.

The employment policy of the Republic of Komi is based on activities ensuring the creation of necessary conditions and the use of citizens' labour potential. There is a departmental target programme for 2009–2011, successfully implemented in the Republic of Komi, which promotes employment of the regional population providing the employment assistance, public and temporary work arrangement, retraining and advanced vocational training, vocational guidance, psychological support and social adaptation of citizens.

To reduce negative effects of the socio-economic crisis and prevent the growth of unemployment, the Government of the Republic of Komi has approved a target republican programme on additional measures for the reduction of tension at the labour market of the Republic of Komi for 2010. It provides for the public work arrangement, temporary employment for 2,560 people and trainee jobs for 200 graduates of the vocational training institutions to acquire necessary work experience, advance vocational training of 700 potential unemployed, financial support to 300 unemployed citizens equal to the annual unemployment payment to start up their own business.

The programmes implemented help to keep the growth of unemployment under control and reduce the number of unemployed citizens in towns and districts of the Republic of Komi and tension at the labour market.

National Labour Protection Policy
The socio-economic development of the Republic of Komi depends upon the development level of its labour resources which quality and amount are largely determined by the working population’s health. That’s why a special attention is given to
the issues related to the national labour protection policy, including regulatory, organizational and informational support of labour protection and relevant training of employers and employees, assessment of work places, etc.

Due to a set of measures implemented by the Komi Government to create safe working conditions in the Republic of Komi there is a steady downtrend in the number of occupational injuries in the Republic of Komi.

**Reliable Partners as Guarantors of Social Stability**

The social partnership is of great importance in the Republic of Komi as it ensures the economic and political stability. In the last 20 years a constructive dialogue between the social partners represented by authorities, business and trade unions has been established.

The following regulatory acts are considered to be the start of the social partnership in the Republic of Komi:

- **Law # 9-P3 as of 09.03.2004 «On the Social Partnership»**.

The enactment of the laws above has substantially contributed to the establishment of partnership relations and defined the legal relationship in terms of organization and implementation of social partnership standards in the Republic of Komi.

A set of special measures are stipulated in the Regional Agreement between the Government of the Republic of Komi, the Federation of Trade Unions of the Republic of Komi and the Union of Industrialists, Entrepreneurs and Employers of the Republic of Komi on Socio-Economic Issues.

**Science and Education**

There are over 60 operating R&D institutions and agencies in the Republic of Komi with more than 2,000 specialists including 1,200 researchers. The leading republican scientific institution is the Komi Science Center, Ural Branch of the Russian Academy of Sciences which integrates 6 institutes: the Institute of Biology, the Institute of Geology, the Institute of Language, Literature and History, the Institute of Physiology, the Institute of Chemistry and the Institute of Social, Economic and Energy Problems of the North.

The basic lines of the Komi Science Center’s core activities are related to the fundamental research in various earth sciences, including the geology of fossil fuel, ore and non-metallic deposits, ecological human and animal physiology in the North, etc.

The foundation of the Komi Teachers’ Training Institute in 1932 was the start of the higher education system development. Among the leading higher
education institutions of the Republic of Komi there is Syktyvkar State University and Ukhta State Technical University, the Komi Republic Academy of Civil Service and Management in Syktyvkar and Vorkuta Mining Institute which is a branch of Plekhanov State Mining Institute (Technical University) in Saint-Petersburg, Syktyvkar Forest Institute which is a branch of Saint-Petersburg Forest Engineering Academy and Komi branch of Kirov State Medical Academy, a branch of Vyatka State Agricultural Academy in Syktyvkar, etc. Over 35,000 students are annually educated in 23 higher education institutions and about 6,000 graduates get diplomas of highly skilled professionals.

There are over 350 comprehensive schools in the Republic of Komi where almost 115,000 pupils are educated. There is also a system of advanced level education which incorporates lyceums, gymnasiums and schools with advanced study of separate subjects.

**Culture and Art**

Development of culture and art is a key factor to create an attractive image of the Republic of Komi, all the more there is a steady demand for the services provided by culture and art institutions of the Republic of Komi.

There are 49 musical, art, fine art and choreographic schools in the Republic of Komi. The high level of training provided by the extended education institutions is annually confirmed at various international, All-Russian and republican competitions.

There are five professional theatres in the Republic of Komi. The oldest theatre is Viktor Savin State Academic Drama Theatre awarded by the Order of the People’s Friendship. It was established in 1930. The theatre company specializes not only in the national repertoire but in the Russian and foreign plays as well.

The National Opera and Ballet Theatre is the major theatre in the Republic of Komi. Its repertoire includes the best works of the world opera, ballet and operetta classics and works of modern composers.

The National Musical and Drama Theatre of the Republic of Komi is the youngest one in the region. Its repertoire combines drama art, vocal and instrumental works of the Komi folklore. All the performances are in the Komi language with the simultaneous interpretation provided.

In Vorkuta there is Vorkuta State Drama Theatre and the Komi Republic Marionette Theatre which is the only one in the region.

The Komi Republic Philharmonic Hall organizes various concerts. «Asya Kya» («Sunrise Colors») State Song and Dance Group enjoys the merited recognition among the audience.

As for the republican museums, there are two state museums (the National Museum of the Republic of Komi and the National Art Gallery) and 18 municipal museums containing 589.3 thousand collection pieces.
There are 369 public libraries in the Republic of Komi and 274 of them locate in the rural areas. The republican library network tries to go with the times providing new information and library services based on the use of electronic resources.

There are 1,345 culture heritage objects in the Republic of Komi, including 71 federal monuments.

The Komi folk art is a special kind of creativity and an integral part of the modern culture of the Republic. The basic folk arts and crafts in Komi include artistic woodwork, burl, Zuvela, painting on wood, artistic processing of birch bark, canework (vinework or the rootwork), loom, fancy knitting, lacework, leatherwork, processing of fir, and production of folk dolls. A variety of exhibitions, fairs, festivals, competitions and master classes aimed at preserving and attracting interest in the decorative arts is held in the Republic on a regular basis. The most significant of them are such as the Republican Exhibitions «The Master of the Year», «The Embroidered Picture», «The Traditional Doll», and the Interregional Festival «Zarni Kiyas».

**Fitness and sports development**

Active work on the development of fitness and sports in the Republic of Komi contributes to a healthy lifestyle of the Komi people. Over 20% of the total number of people of the Republic do fitness and go in for sports on a regular basis (on average, about 16% in Russia).

The Republic of Komi is a ski development center of the country. The Republican Ski Complex named after the four-time Olympic Champion Raisa Smetanina is one of the best ski complexes in Russia to prepare ski racers. The Complex was established in 1977 and is home to annual national championships in ski racing.

Nationwide or republican sports and sporting events, such as «The Cross of Nations», «The Ski Track of Russia», «The Russian Azimuth», are regularly held in the Republic.

Currently, 2,128 sports facilities are in operation in Komi. The number of sports facilities is constantly growing and there are plans to build indoor rinks with artificial ice and reconstruct universal sports or ski complexes and bases, etc.

**Tourism**

The unique natural potential of the Republic is represented by 2 specially protected conservation areas: Pechora-Ilych State Nature Biosphere Reserve (area: 721,3 thousand ha) and Yugyd Va National Park (Light Water) with the area of around 2 mln ha. The both have been recognized as the humanity’s invaluable heritage and included in the UNESCO’s World Cultural and Natural Heritage List.

The territories adjacent to the Ural Mountains themselves are unique. They organically combine mountain scenery and flat terrains, unique old growth slightly damaged forests, a rich flora and fauna of the European and Siberian species, many of them being listed in the Red Books of the International Union for Conservation of Nature and Natural Resources, the Russian Federation and our own republic. It is in the Pechora-Ilych Reserve that the world’s first experimental moose farm was established in the fullness of time.

All this creates great opportunities for various lines of tourism development: sports tourism, excursion tourism and amateur tourism. The Manpupyner rock formations located on the plateau in the upper riches of the Pechora River, a unique natural object, have enjoyed deserved popularity with the lovers of tourism. The stone guards have been duly keeping their millennia watch at the protected springhead of the Pechora River, hitting everyone who comes near them with their grandeur and enigmatic mystery.

In June 2008, the Manpupyner Rock Formations won the contest «The Seven Wonders of Russia» along with the St. Basil’s Cathedral, the Baikal Lake, the Valley of Geysers, Peterhof, the Elbrus, Mamayev Kurgan and the Statue of Motherland.

The protected conservation areas account for almost 14.5% of the total Komi area. It is the Europe’s largest remnant array of primary forest, which is the main repository of biodiversity for the ecosystems of the Scandinavian and the Russian taiga, and the tundra and the forest-tundra in the Urals. The implementation the UNDP/GEF Project «Strengthening the protected areas of the Komi Republic to conserve virgin forest biodiversity in the Pechora River headwaters zones» indicates that preserving the valuable natural complexes and objects for posterity is a common concern of the entire international community.
You have taken the first step towards our business cooperation, getting interested in the Republic of Komi, its natural wealth and economic opportunities.

Undoubtedly, the Republic is a treasure chest of natural resources. But this is not the only key to investment attractiveness of the region. The wealth of the Republic also lies in its residents who take a proactive stance and promote the development and prosperity of their native Republic. Also, the developed transport and communications infrastructure must be taken in the Republic’s credit.

Due to the presence of natural factors, but also in no small measure to a series of efforts by state and local authorities, the Republic of Komi has a strong development potential and is one of the most dynamically developing regions, not only in the Northwestern Russia, but in the country as a whole. A high resource potential of the Republic and an enabling investment environment created by the Government of the Republic of Komi cause investors’ interest in supporting establishment and expansion of production in the region. In recent years, in Komi a variety of industries has been developed, both traditionally developed in the Republic (mining, pulp and paper, timber, transport) and new ones (mining, chemical, etc.). Biggest domestic companies operate in the region and foreign investors are coming here.

The Government of the Republic of Komi and its partners are jointly implementing a diversity of major investment projects that will change the image of the republic, create a stable foundation for economic diversification of the region as a whole and give impetus to the development of new industries and create new jobs. Above all, these are infrastructure projects, such as the Yamal Mega Project, the Belkomur Project, the Highway Construction Project «Syktyvkar — Ukhta — Pechora — Usinsk — Naryan-Mar» with entrances to the cities of Vorkuta and Salekhard, the energy saving programs for the Republic implemented by the subsidiaries of RAO UES. Of the major industrial projects worth mentioning are the construction project for Yarega Mining and Chemical Complex for the extraction and dressing of titanium ore, a number of oil field development projects (Mid-Makhankhin, Usinsk, Kyrtael, Yarega, Bayandys, etc.), construction projects for a petroleum refinery in Usinsk, an OSB plant in Syktyvkar, an operation for deep waste-free timber processing in Ust-Kulom and Troisk-Pechorsk districts, and many other projects.

Hopefully, the prospects unfolding for the Republic of Komi have attracted your attention and the next step in the cooperation will be your desire to see the Republic with your own eyes and realize your potential at its vast expanse.

Ivan STUKALOV
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Republic of Komi