Investment potential of the Republic of Karelia

Igor Titov
Deputy Minister of Economic Development and Industry of the Republic of Karelia
Karelia – a unique region with beautiful nature
Republic of Karelia is a part of the North-West federal district of the Russian Federation. Length of land border between Russia and Finland – more than 700 kilometres.

- **Territory** - 180,500 km²
- **Resident population** – 637 000
- **Average population density** – 3,5/km²
- **Number of people employed in the sphere of economics** – 307 000
- **127 municipal entities, including two city districts**
- **Capital** – city of Petrozavodsk
5 functional border crossing points:

- Inari,
- Syuvyaoro,
- Vyartsilya-Niirala,
- Lyuttya-Vartius,
- Suoperya-Kuusamo
The Republic of Karelia is situated at the intersection of active and projected transportation corridors.
Tourist and recreation potential

• There are more than 4000 cultural, historical and natural monuments in Karelia

• Among them – unique architectural, cultural and historical items on Kizhi, Valaam and Solovetsky islands

• Petroglyphs are ancient rock engravings that remained intact in the Republic of Karelia up to the present moment, having more than 5000 years of history

• The first Russian resort and health facility Martsialniye Vody, established 280 years ago by Peter the First, is 50 kilometres away from Petrozavodsk
Strengths of the Republic of Karelia

- Advantageous geographical position, the longest border with the European Union

- Transit railway and automobile transportation connections, international automobile border-crossing points, border infrastructure

- Minimal transportation expenditures of exporting enterprises due to proximity to the external border
Strengths of the Republic of Karelia

- Availability of White Sea – Baltic Sea Canal and important traffic arteries that connect industrially developed regions of the country with the Murmansk Port and arising Northern Sea Route

- Mineral and raw material resources
Karelian resources include:

- 238 explored fields,
- 25 kinds of solid commercial minerals,
- 378 peat fields,
- 11 fields of underground water for technical and drinking use
- 2 mineral water fields,
- 10 officially recognised and over 30 registered geological monuments

Main minerals: Iron ore, titanium, vanadium, molybdenum, noble metals, diamonds, mica, construction materials (granites, diabases, marbles), ceramic minerals (pegmatite, spar) apatite-carbonate ores, alkaline amphibole asbestos.
Karelian enterprises share in the Russian Federation production volume

- trout: 70%
- iron-ore pellets: 26%
- paper: 18%
- paper pulp: 12%
- wood chips for paper pulp manufacture: 9%
- unprocessed timber: 4%
- wood products: 3%
Capital Investment, billion rubles

- 2010: 22.3 billion rubles
- 2011: 29.7 billion rubles
- 2012: 32.1 billion rubles
- 2013: 34.2 billion rubles
- 2014: 33.4 billion rubles
- 2015: 32.4 billion rubles
Main Investment projects implemented in the Republic of Karelia in 2013-2015

First stage of the “DOK “Kalevala” oriented strand board (OSB) production plant is put into operation in Petrozavodsk. 230 new jobs established. **8 billion rubles of investment.**

New line for production of paper bags put into operation at the JSC “Segezha Packaging”, which let increase the enterprise’s production volume up to 540 million bags per year. **800 million rubles of investment.**

Ground stone quarry put into operation by JSC “Sunskyi Quarry” in Kondopoga district. 60 new jobs established. **540 million rubles of investment.**
Main Investment projects implemented in the Republic of Karelia in 2013-2015

Within the Investment Programme of the JSC “Prionezhskaya Network Company” the project for “Reconstruction of SS-71 in Petrozavodsk” with capacity of 80 megawatt is implemented. Total cost of the project is **708 million rubles**.

Within the project for “Reconstruction and Construction of Small Hydro Power Plants in the Republic of Karelia” being implemented by the JSC “Nord Hydro”, SHPP “Kalliokoski” with capacity of 975 kilowatt and SHPP “Ryumyakoski” with capacity of 630 kilowatt are put into operation in the Sortavala district. Total volume of investment – over **580 million rubles**.

Incubation and breeding complex for alevin with capacity of 100 million units per year put into operation in Soskua settlement of the Lahdenpohja district. Investor – CJSC “Virta”. 40 new jobs established. **378,7 million rubles** of investment.
Main Investment projects implemented in the Republic of Karelia in 2013-2015

Construction of **dairy production farm** for 400 animal units with the dairy block completed in Ladva settlement of the Prionezhskiy municipal district ("Mayak" Llc). **Investment** – 187 million rubles.

New **hotel Park Inn by Radisson** put into operation in Petrozavodsk by Llc “Concern Piter”. 217 new jobs established. **Investment** – over 1,8 billion rubles.

New **hotel complex “Ladozhskaya Usadba”** open in Sortavala district”. 100 new jobs established. **Investment** – around 1 billion rubles.
Measures of governmental support for investment activities in the Republic of Karelia

- provision of the tax benefits for the regional taxes;

- provision of the benefits for the investors that imply lower tax rate for that part of the organization’s income, that is paid to the budget of the Republic of Karelia;

- provision of the state guarantee of the Republic of Karelia (on a competitive basis) for investment projects;

- provision of the investment grants from the budget of the Republic of Karelia for partial compensation of the interest payment for the credits, needed to finance investment projects;

- provision of the investment tax credit;

- provision of favorable conditions for the land enjoyment or the enjoyment of other real estate;

- provision of an investment grant from the budget of the Republic of Karelia for partial compensation of the expenses connected to the performance of cadastral works.

<table>
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<tr>
<th>Relevant forms of regional level support of investment projects</th>
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<tbody>
<tr>
<td>Form of state support</td>
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<tr>
<td>Corporate property tax rate</td>
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<tr>
<td>Lowered corporate property tax rate (into regional budget)</td>
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<tr>
<td>Land plot rental payment</td>
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<td>Land plots rental with no tendering process</td>
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ВЕКОВОЙ ЮБИЛЕЙ В СТАТУСЕ РЕСПУБЛИКИ КАРЕЛИЯ ОТМЕТИТ В 2020 ГОДУ

Предложение о праздновании столетия образования Республики Карелия поддержано Президентом Российской Федерации В.В. Путиным.

К юбилею в 2020 году в Карелии планируется реализовать целый ряд проектов в приоритетных направлениях экономики. Среди них - строительство и реконструкция пунктов пропуска через госграницу, открытие новых социально-культурных объектов, освоение уникального Пудожского месторождения титаномагниевых руд.
The Federal Target Programme “Development of the Republic of Karelia till 2020”

135 billion rubles in 5 years
2016-2020

New projects within Federal Target Programme

- предприятие по глубокой переработке древесины (пиломатериалы)
- цеплюлозно-бумажная промышленность (завод по производству бленной термомеханической массы под Петрозаводском)
- несколько новых горнодобывающих карьеров
Projects for development of transport and border infrastructure

- Reconstruction of the Railway station in the city of Petrozavodsk
- Reconstruction of railway border crossing points “Lyuttya” and “Vyartsilya”
- Reconstruction of engineer works at the “Besovets” airport complex
- Reconstruction of the Railway station in the city of Petrozavodsk
- Construction of the international automobile border crossing point “Syuvyaoro”
- Construction of a new sea port in the city of Kem
- Construction of a new sea commercial port in the city of Belomorsk
PORT of KEM
Karelia, Russia

- Port of KEM is situated in Western Russia where over 70% of Russia’s population is located
- Port of KEM is located on the west coast of the White Sea and linked to the Northern Sea Route
- Port of KEM has direct connections to the Murmansk-St.Petersburg railroad and highway, the White Sea-Baltic Canal, the Volga-Baltic Waterway and the Volga-Don Canal
- Planned depth of anchorage 16m to 25 m
- Estimated capacity of the Port is up to 20 million tons

The Northern Sea Route
the shortest sea route linking Northwest Russia and East Asia
In the Federal Target Programme “Development of the Republic of Karelia till 2020” establishing of 4 industrial sites is planned

Budget financing - 2904,1 million rubles.
Extra-budget financing - 8640 million rubles.
We plan to establish investment areas which will be provided with necessary engineering infrastructure and energy sources for development of industrial production sites.
Establishing of the Industrial Park in the Republic of Karelia in Nadvoitsy

Project for infrastructure construction of the Industrial park.
Ready time – December 2016
Cost – 271 million rubles.
Part of the area of a subject of the Russian Federation, where according to a decision by the Government of the Russian Federation, a special legislation regime for implementation of entrepreneurship or other activities is established in order to provide favourable conditions to attract investment, ensure accelerated social and economic development and create comfortable conditions for life and activities of the population.

There are 319 monoprofile cities in the Russian Federation, 11 of them are in the Republic of Karelia
Priority social and economic development area “Nadvoitsy”

**Special legislation regime for entrepreneurship activities**

<table>
<thead>
<tr>
<th>Tax</th>
<th>PDA</th>
<th>No PDA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit tax, including</td>
<td>5%</td>
<td>20%</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>0%</td>
<td>2%</td>
</tr>
<tr>
<td>Republic of Karelia</td>
<td>5%</td>
<td>18%</td>
</tr>
<tr>
<td>Land tax (municipal formation)</td>
<td>0%</td>
<td>Average 1,5%</td>
</tr>
<tr>
<td>Corporate property tax (Republic of Karelia)</td>
<td>0%</td>
<td>2,2%</td>
</tr>
<tr>
<td>Insurance fees to the state non-budget funds (Russian Federation), including:</td>
<td>7,6%</td>
<td>30%</td>
</tr>
<tr>
<td>Pension Fund</td>
<td>6%</td>
<td>22%</td>
</tr>
<tr>
<td>Social Insurance fund</td>
<td>1,5%</td>
<td>2,9%</td>
</tr>
<tr>
<td>Obligatory medical insurance fund</td>
<td>0,1%</td>
<td>5,1%</td>
</tr>
</tbody>
</table>

**OKVED:**

- ✓ Production of textile products.
- ✓ Production of other non-metal mineral products.
- ✓ Production of ready metal products, except machines and equipment.
- ✓ Activities for provision of temporary housing.
- ✓ Activities for provision of food and drinks.
- ✓ And others.
In February 2016 applications to establish priority social and economic development areas in the following areas were submitted:

Nadvoitsy city settlement (application approved)
Kondopoga city settlement
Pitkyaranta city settlement
Pudozh city settlement
Suoyärvi city settlement

In 2017-2018 we plan to apply to the Ministry of Economic development of the Russian Federation to establish priority social and economic development areas in the following areas:

Muezerskiy city settlement
Vyartsilya city settlement
Pindushi city settlement
Kostomuksha city district
Lahdenpohja city settlement
Segezha city settlement
<table>
<thead>
<tr>
<th>Residents</th>
<th>Volume of Investment, million rubles</th>
<th>Number of new jobs, units</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Penostek Nord” Llc</td>
<td>1024</td>
<td>170</td>
</tr>
<tr>
<td>Construction of a plant for production of kits for low-rise construction with use of PENOSTEKTM technology</td>
<td></td>
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<tr>
<td>“Bioebergo” Llc</td>
<td>223</td>
<td>25</td>
</tr>
<tr>
<td>Production of peat brickets, 15 thousand per year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL group of companies (“Karellegprom” Llc)</td>
<td>718</td>
<td>59</td>
</tr>
<tr>
<td>Establishing of textile production</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Priority investment areas of the region

Development of unexpanded minerals fields: quartz, shungite, garnets, mica and their processing

Establishing of production of construction materials on basalt basis (basalt fiber)

Establishing of an enterprise for production of finishing materials of block stone (granite, marble, basalt, quartz)
Large Scale Project
“Pudozh Mining and Forestry District”
Priority investment areas of the region

Construction of production sites with new technologies for wood processing, including hardwood. Production of glued constructions, wooden houses construction, furniture production.
Priority investment areas of the region

Development of hydro energy, alternative energy sources, use of local fuels for energy (peat, wood chips, etc.)
Priority investment areas of the region

Construction of fish processing facilities, production of fish food and seeding.

Use of bio-resources of the White sea: breeding and processing of mussels, harvesting and processing of algae and production on its basis.

Development of poultry
Tourist cluster “South Karelia”

10 tourist activities centres connected in a common network of routes and projects.
This electronic resource combines all necessary information for investment activities in the Republic of Karelia.
THANK YOU!

Valaam island

Solovetskiy archipelago

Kizhi

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