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## Activity 1.1.

# **The Most Effective Methods of Implementation of Small Investment Projects in Timber Industry Complex of the Republic of Karelia**

In conformity with the working experience of Ministry of Economic Development of the Republic of Karelia in the field of State support of small business and proceeding from the specific features of enterprises working in timber industry, the most priority directions in realization investment projects in timber industry are:

- wood house building;
- manufacturing of elements for wood house building.

Besides such activities as restoration of monuments of wood architecture and manufacture of handicraft production could also be supported by State supporting programmes.

There are also plans of State support of enterprises which create jobs for people living in timber settlements, as such enterprises are fastened both to consumers and to human and raw material resources.

These proposals are motivated by the results of economic development in 2003, when the share of small timber enterprises in total amount of industrial output was 20 % whereas the share of logging enterprises was 13 % and pulp and paper enterprises was 0,7 %.

Despite of flexibility and potential growth of small enterprises their position is less favourable than large and medium ones, as the access to wood resources is needed. In this respect a small enterprise cannot compete with large and medium size enterprises, as they have better correlation of output volumes and manufacturing expenditures. At the first stage of implementation of small enterprise investment projects there is a problem of financial and credit means for small enterprises providing high investments into modern equipment and high technologies. In the view of mentioned problems Ministry of Economic Development of the Republic of



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Karelia regards subcontract system as mutually beneficial method of projects realization at local, regional, interregional and international level. It means co-operation with the area's large and medium enterprises, while, on the one hand, large and medium enterprises will get rid off some unproductive expenditures thanks to small enterprises activities and, on the other hand, small enterprises will get working opportunities in certain sphere of activity. Using of the advantages of Karelia's frontier location for co-operation with foreign (Finnish) enterprises (regarding orders and joint manufacture) makes it possible to reduce expenditures and to get a preferable position at European markets, to improve business efficiency under the conditions of Russian changing tariff policy on timber production and to get necessary fixed or working capital for small enterprises. In other words, partnership with an investor and (or) with the area's large enterprise(s) is the most effective method of the development of a small enterprise.

What is more, active co-operation with employer's associations (public, financial) and employment of leasing framework for acquire of equipment are essential for effective realization of small enterprise projects.

All above-mentioned proposals are directed to establishment of the most favourable conditions for small investment projects and they have to be taken into account while making business plans and giving proof of their effectiveness.

The idea of organizing of Subcontract Centre on bases of non-state enterprise is nowadays at the stage of elaboration in the Republic of Karelia. The study of the corresponding know-how of St. Petersburg has been planed out for this purpose.