

The spiritual component of the investment process in the Republic of Karelia

The article describes the possibility to modernize the socio-economic system of the region on the basis of spiritual component. In modern conditions it's necessary for the Republic, as well as for the whole country, to include a revival component of Russian spirituality in the process of modernization. The authors characterize the investment process in the Republic of Karelia in this article and consider the necessity to increase investment in human capital in the implementation of a major integrated project "Spiritual rebirth of the North".

Regional economy, economy modernization, investment activity, investment in human capital.



**Anna E.
KURILO**

Ph.D. in Economics, Senior Scientific Associate of the Institute of Economics of Karelian scientific center of RAS
akurilo@mail.ru



**Evgeniy G.
NEMKOVICH**

Ph.D. in Economics, Leading Scientific Associate of the Institute of Economics of Karelian scientific center of RAS
enemkovich@mail.ru

The economy of Karelia is connected historically with its natural and climatic features. The socio-economic development of the Republic is largely determined by investing activities and the successful activity of the timber and mining industries.

The investment activity is carried out in the Republic, but the downward trend of the physical volume index of fixed capital investments is being observed during some years [10] (*figure*). The investment volume of 2000 hadn't been reached yet by 2010.

The intensification of the investment process was being observed in Karelia in 2010-2011. During the last decade the republic's enterprises that specialize in producing paper bags, newsprint and iron-ore pellets hold their position among the leading enterprises of Russia. According to the official data the Republic of Karelia produced over 25% of the Russian iron-ore pellet output, 25% of paper produced in Russia, 61,5% of paper bags production, 4,5% of market pulp production, 6,8% of timber production, 10% of common wire production and 3,4% of lumber production [12].

Dynamics of the physical volume index of investments in fixed capital in the Republic of Karelia



The positive results of the economic activity in the post-crisis period (2011) include the increase in the volume of industrial production in such types of economic activity as wood processing and wood production (108,2%), nonmetallic mineral production (121,9%), primary metal manufacturing and fabricated metal product manufacturing (107,6%), machinery and equipment manufacturing (109,5%), electrical, electronic and optical equipment manufacturing (102,0%) [13].

The positive growth tendency in timber production continued in 2011, e.g. in such enterprises as Stora Enso Company (119% by 2010), Karelian Forest Group CJSC (129%), Kondopoga Logging Enterprise OJSC (107%), Nord Inter House CJSC (2.3-fold), Ladvinsky Logging Enterprise CJSC (2.3-fold), Valma LLC (3.2-fold), Rusforest LLC (2.2-fold), Kometek CJSC (2-fold), EuroLesProm LLC (1.7-fold), Helicon-Onego LLC (1.4-fold), Setles LLC (110%), Swede Wood Karelia LLC (117%), KarlisProm CJSC (118%), Karelian Forest LLC (2.5-fold), EcoResources LLC (2.8-fold), etc.

The situation has stabilized at the enterprises of mining complex in the Republic. The physical volume index of mining operations amounted to 106.6% over 9 months in 2011, including the metal ore mining (102.3%) and the mining of other mineral resources (168.8%). The following enterprises worked successfully: Karelian Pellet OJSC (102.3%), Prionezhskaya Mining Company LLC, Karel-prirodresurs LLC, Large Array Quarry CJSC; the enterprises that produce ashlar stone such as KARA-TAU LLC and Another River CJSC.

Solonensky Timber Mill CJSC has been reopened after radical reconstructions and modernization in Petrozavodsk. It has increased its production volume by 1.2 times. It is planned to use this enterprise as the base to found an industrial complex for glued wood constructions and wood pellets production.

Swedish concern IKEA International Group has launched a factory for the production of furniture components in Kostomuksha. Wood tables are being produced there. Swede Wood Karelia LLC improves and develops logging production in the Kostomuksha urban district and in the Muezer municipal region.

The production of energopellets (fuel granules) from low-grade wood raw material and wood waste is organized by Setles LLC and Biogran LLC. Swede Wood LLC also produces fuel pellets. The volume of fuel pellets production amounted to 13.3 thousand tons over the period from January to May in 2011; it was 148.4% to the similar period in 2010. It exceeded the growth rate in Russia in whole (fuel pellets production amounted to 114.2% in Russia).

A new enterprise Karelia's Berry for deep processing of forest and garden berries has been launched in the Prionezhsky region. It is the first enterprise in Russia that has a full cycle of berries processing – from electronic clearing and sorting to packaged products release. 160 people work in this enterprise (mostly women), the average salary is over 20 thousand rubles. This project has social value because it employs rural population and gives the opportunity to earn during seasonal gathering of berries. There are forest and garden berrying centers all across the republic.

A large investment project on the construction of the first in the country plant for the production of oriented strand boards Woodworking Complex Kalevala LLC is being realized in the republic, based on the principles of public-private partnership with the city government. It is expected that the launch of the plant will increase tax revenues to the budgets of all levels up to 500 million rubles a year; it will create more than 400 new jobs, as well as it will revive allied industries with the potential up to three thousand new jobs.

The industrial production index amounted to 101.3% in January – September, 2011. The consolidated budget of the Republic of Karelia received 26.4 billion rubles of revenues on October 1, 2011. This amount was 15% higher than the revenues for the same period in 2010. At the same time the own budget revenues amounted to 19.2 billion rubles (72.7% of total budget revenues) and exceeded by 23.3% the level of the previous year for the period from January to September [13].

Two powerful groups IKEA and Swedewood began to invest in wood processing in Kostomuksha. Segezha Pulp and Paper Mill, the largest pulp and paper company in the North-West Federal District, as well as Kondopoga Pulp and Paper Mill are being reconstructed and modernized. Organizational changes are being introduced into the order providing the entrepreneurs with forest resources; they are aimed at the timber processing in the republic.

The amount of roundwood for export to the European Union was halved in 2011. Conifer sawlogs were sent to the domestic market for lumber production. There was the growth of production in the timber industry in 2011. Thus, the raw wood production volume was 2.4 million cubic meters or 111.6% of the relevant period in 2010. The production index of lumbering amounted to 112% for the period from January to May in 2011, which was more than the nationwide rate (106.7%). The production index of woodworking and wood production amounted to 117.5% for the period from January to May in 2011. The cost of shipped products was 2.437 billion rubles; it was 125% of output for the relevant period of the last year. The growth rate in woodworking and wood production was higher than the nationwide rate (106.7% in Russia in the period from January to May, 2011).

There was a positive dynamics in the production of all major types of wood products. Thus, the production of plywood and wood chipboards was doubled in the republic for the period from January to May in 2011, which was more than the nationwide rate (in Russia: plywood – 113.3%, wood chipboards – 128.8%).

The production index of pulp, ground wood, paper and paperboard amounted to 100.6% for the period from January to May in 2011. The cost of shipped products was 9810.7 million rubles (it was 127% of output for the relevant period of the last year). The growth rate in the pulp-and-paper industry was higher than the nationwide rate (99.9% in Russia in the period from January to May, 2011).

The production volume of wood cellulose and cellulose made of other fibrous materials amounted to 455.2 thousand tons for the period from January to May in 2011, or 101.3% of the corresponding period in 2010. The growth was caused by the increasing demand for market cellulose. Thus, the production volume of market cellulose, produced by Cellulose Plant Pitkäranta JSC, amounted to 36.6 thousand tons for 5 months in 2011 or 109.7% to the relevant period of the last year.

They deal with the problems of reforestation and forest conservation in the republic, they apply new methods of planting and planting stock growing and develop a forest fire control system.

The same work is being done in the mining industry. All these achievements can be considered as the undoubted success of the republic in the post-crisis period, which ensure the receipts of funds to the local budget.

The republic has headed for the application of modern technologies in wood processing. The republic will invest in the modern forest fire control system. They are working together with the Federal Forestry Agency to change the rules of cutting. All these examples show that the republic is staging a recovery with dignity; it is progressing and carrying out the modernization process. Nevertheless, it is necessary to look for the points of investing increase, which is possible through the use of the cultural heritage of Karelia.

The investment policy of the Government of Karelia is based on the openness for investors. This involves a transparent, profitable and predictable operating regime of the company with tax, control, law enforcement and other government agencies. This approach is provided by the clear project management.

The Government of Karelia has established the Corporation of the Republic of Karelia Development JSC in order to develop and realize the investment projects [11]. The Corporation is aimed to provide effective communication of business and government in the implementation of the large investment projects.

The main priorities of the new organization's activity is promoting the implementation of public policy, aimed at the development of the Republic, attracting investment to the region and creating new jobs. The Corporation also supports the investors in the republic and helps to implement the priority investment projects. It is a kind of "bank" of developed attractive investment points (places, lots, territories, facilities) for the successful implementation of innovative projects.

The Corporation's employees have prepared and worked out several projects over a short time. They are going to implement ten large projects to the amount of over 10 billion rubles during 2011 – 2012 [7]. There are investors for each project. Some agreements have been already signed. The projects will be carried out mainly based on the principles of public-private partnership. The state will finance significant social infrastructure projects within the federal and republican target programs. The republican co-financing will be minimal; the bulk of this sum will consists of the companies' money and the resources of federal programs. Such cooperation allow investors to reduce the payback period. The effect is clear for the republican economy: there are new businesses and jobs, and promising industries are being developed.

The Government of the Republic of Karelia develops and implements the investment projects in all spheres of economic activity. There is an experience in developing and implementing the industrial projects today. All projects are aimed at increasing economic activity of people, using their creative potential and involving them in the implementation of these projects.

There is a project to create a balanced production of logging and deep wood processing, based on the manufacturing of laminated veneer lumber and energopellets, in Kostomuksha urban district. The project is planned to be realized by Kostomuksha Construction Company LLC.

Pulp and Paper Mill Kondopoga JSC is reconstructing the pulp and paper production due to the replacement of outdated equipment by high-tech equipment that meets the requirements of the best world standards. It is planned to build a large plant in Kondopoga, manufacturing heat insulating slabs (mineral wool), based on modern nanotechnology.

The project company Hord-hydro is aimed at the development of a small-scale power system in Karelia. It provides for the development of the republican power system through the reconstruction and construction of small hydropower stations and their inclusion into the unified system of energy supply. 46 small hydro powers are planned to be put into operation by 2015.

A large project on the reconstruction and modernization of Segezha Pulp and Paper Mill JSC (the project “Polar Bear”) for the production of bleached pulp has been launched.

The project on the modernization of the basic technological equipment of Cellulose Plant Pitkäranta will increase the capacity up to 120 thousand tons of pulp per year.

There is a project on the development of production capacities of Plywood Mill “Bumex” in Lakhdenpokhya, which involves the measures to increase the production capacity of plywood and veneer.

It is planned to build a saw-processing timber plant on the base of Medvezhyegorsk Logging Enterprise LLC in Medvezhyegorsk, which will use a new technological scheme of lumber filing, sawing, drying and packaging.

An urban locality Khelyulya will be developed again within the project on the logging development and the construction of a plant for deep timber processing, implemented by Kay Forest CJSC.

Taking into account cement shortage in the country, it is planned to build a large cement plant in the Loukhi District, which is needed most in the republic. There are necessary deposits there.

It is intended to implement a new mega-project on the development of chromium, which is utterly lacking, on the basis of the poly-metallic deposit in the Pudozh District. It is proposed to build some ore-dressing and metallurgical plants here, to lay a railway, to build a high-voltage line and to lay a new town for 40 thousand people.

Living conditions in the most remote areas could be improved greatly. It is planned to lay a gas pipeline from the North to the South within the Shtokman field development, which will ensure gas supply for urban and rural territories of the republic and solve some pressing problems of housing and communal services.

The Strategy for the Socio-Economic Development of the Republic of Karelia till 2020 declares the policy of “investment in people”. The national projects are the basis of this policy. It was possible to build up a clear system of implementation in the republic, based on them, and get not only the republican bodies of executive power, but also local governments, federal territorial governments, business and public organizations involved in this work.

All necessary organizational structures have been created and a production string to manage the national projects has been built: it has included the authorities from the Coordinating Council at the Head of the Republic and the Ministries’ working groups in various national projects to the municipal working groups. This chain allows them to define clearly the preparedness of the project participants to perform their tasks, to monitor the intermediate results and the implementation of agreements and arrangements in accordance with network schedules, as well as to control cash inflows and the distribution of financial resources, which are transferred to the republic within the scope of national projects.

The priority national projects have become the most important resource to improve life quality of the population in the republic. There are the first real results in all directions.

For example, the Republican Hospital has been upgraded recently. Now it is one of the best hospitals in the North-West and the only hospital in the country that has full-fledged branches in the districts. The most difficult cardiac surgeries are free of charge for the population in the Republican cardiac and vascular center.

Forestry Agency (FFA) has established a working group to develop new methods to eliminate the tick population in the forests, and neurological department of the republican hospital has become a successful research platform for the treatment of the diseases caused by tick bites: tick-borne encephalitis and borreliosis.

The Regional Hospital in Kondopoga has been also modernized. Kondopoga Pulp and Paper Mill helped to build the Palace of Arts, where the organ concerts take place, the Ice Palace and the modern youth center.

The implementation of national projects is the work for the sake of the further development of the country and its citizens, aimed at strengthening social and state foundations, creating a solid base for the sustainable economic development and highly competitive social infrastructure. The quality and accessibility of education and health services, housing problem solution, the revival of the Russian village and “caring for future generations are the most reliable, intelligent and generous investments” [9]; they are indispensable conditions for full-fledged living of citizens today and in future.

The historical developmental experience shows that any breakthrough in the development of a state, a region or an enterprise begins with an idea, and it is implemented in the following sequence: the origin of the idea, the creation of an image to realize this idea and the implementation of the idea.

In our country the general idea is modernization, which is the process of renovation, the elimination of backwardness and entering the up-to-date developmental level that is comparable to the developed countries [16].

The process of modernization affects all spheres of life: economic, social, political and cultural. However, modernization can be considered as a social phenomenon in its origin, which is a process of the revival and development of moral and spiritual qualities of the population in the specific real circumstances [8]. And this social component affects the other spheres of social life.

But, carrying out modernization, we often continue to prioritize an economic component and leave spiritual and moral education of the population on the sidelines, which is able to reproduce and use the modern advancements for a good case. “Developing the economy, we won’t achieve the result that people expect. It is necessary to prioritize the progress of spirituality as a major condition for the development of our country” [15]. Thus, the idea of regional development and modernization should be based on the revival of spiritual and cultural heritage, where the cognitive component of human activity comes to the fore.

In modern terms the modernization process in our republic, as well as in the whole country, should include a component, aimed at the revival of Russian spirituality. This trend concerns the quality of life that characterizes the main living qualities of each person. Spirituality is a specific feature of human life, which is expressed in caring for ourselves and our environment, our detachment from vile and rude sensual interests, as well as in the desire for internal improvements that forms a set of intangible assets resistant to devaluation [2].

According to the Russian journalist Yuri Krupnov, the level of spirituality is determined by the nature, range and number of creative initiatives and innovative projects, as well as by the frequency of violations of the universal moral commandments such as “Thou shalt not kill”, “Thou shalt not steal”, “Honour thy father and thy mother”, “Thou shalt have no other gods before me”, etc [3].

The concept of living quality is included in the group of indicators that assess the spiritual state of people. The industrial development organizes a social construction through the living quality indices [4]. Therefore, the creation of new modern enterprises and the implementation of new technologies, as well as the development of a new technological structure are pushed to the sidelines. It is necessary that “the development of spirituality has become a priority condition for the development of our country” [1].

The implementation of this direction in the republic is reflected in the Strategy of the Socio-Economic Development of the Republic of Karelia till 2020, which advances the policy of “investment in man”, aimed at developing and strengthening the human factor [11].

This strategy allows the Republic of Karelia to be the first in giving utterance to the problem of spiritual development. The Republic has a project “Spiritual Revival of the Russian North”, which reflects its vision for the modernization and spiritual rebirth. “Russian North” is a historical and cultural territory of our country, which has enduring spiritual values.

These territories preserve the specific cultural and spiritual heritage. “A unique feature of the Russian North is the fact that it holds not only the origins in remembrance, but also a sense of the direct relationship with them. We can see the usual distance of time here. Closed into a ring of traditions, it reproduced the key archetypes, myths and rituals from one generation to another. Similar cyclism has been undermined in other territories. But the North has been retaining memory of centuries for a long time. We can touch the initial layers of our culture due to its conservatism [5, p.15].

The Republic of Karelia is located almost in the center of this unique territory, which unites historical, spiritual and cultural traditions of the Russian North [6].

The project “Spiritual Revival of the Russian North” is based on the spiritual unity of three Orthodox churches of the Transfiguration, located on the island of Valaam in Lake Ladoga, the island of Kizhi in Lake Onega and the Solovetsky Islands in the White Sea. As it is situated in the heart of the unique space of three islands, which are the spiritual and cultural support structure of the Russian North, the Republic of Karelia announced its intention to become a kind of spiritual and moral center of the Russian North at the International Investment Forum (Petrozavodsk, November 24-25, 2011).

The Republic made the initiative to show its own path of modernization on the basis of goodness and spiritual human development. This commitment of the republic was supported by the Patriarch of All Russia Kirill, and the project was approved by the President of the RF Dmitry A. Medvedev.

According to this project, it is planned to establish a modern center of Orthodox culture in the Republic of Karelia, including the construction of a temple, an administrative and business center, a hotel complex and an ethnic village on the islands of Kizhi Necklace by the 300th anniversary of the Kizhi ensemble [14]. It is a very ambitious project, because you can reach the islands of Kizhi Necklace only by boat or by plane. It will be necessary to build an electrical power source there, to pull up modern roads and to build additional infrastructure including moorages, hotels, cultural and business centers.

The main purpose of the project is to preserve and increase the Orthodox and cultural traditions of the Russian North, based on the spiritual wealth of three great islands. The project involves the development of spiritual pilgrimage and cultural tourism in the republic. It should combine tourism and spiritual pilgrimage into a single system. So, it will allow the republic to use effectively its historical and cultural potential and historical monuments.

The project is positioned as a commercial one, but its purpose is to serve the revival of the Russian North, as it will facilitate the development of spiritual pilgrimage and cultural tourism on the route “Valaam – Kizhi – Solovki”. The project will be implemented within the scope of federal program for the development

of domestic and in-coming tourism that has been approved by the Government of the Russian Federation recently.

This project will give impetus to the development of the institutional environment of the socio-economic development based on the spiritual component.

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