

# NORTH KARELIA

<p>1. Title of the practice</p> <p style="text-align: center;"><b>North Karelian Trade Programme for Russia</b></p>
<p>2. Precise theme/issue tackled by the practice</p> <p>Russia is the biggest growing market area in Europe and at the same time natural direction for North Karelian enterprises to export and internationalise not least because of the common border. Starting a business and operation in Russia is very challenging. Business cultures, legislation, operational environment, taxation, visas, cross-border formalities etc. differ very much in Finland and Russia and SMEs which are interested in business across border do not often have enough resources and knowledge to start a business in Russia. Also finding good connections and business partners in target country is difficult. In addition, inaccurate perception about Russia hampers it as well.</p> <p>Especially SMEs need consultation and more resources when planning internationalisation. Reducing prejudices and providing knowledge may increase interest of North Karelian SMEs toward internationalisation. North Karelian Trade Programme for Russia was established to help SMEs in these issues as well as to coordinate regional business support as well as to promote regional development.</p>
<p>3. Objectives of the practice</p> <p>The objective of the North Karelian Trade Programme for Russia is to promote business ties between Russia and Finland, to provide services based on the needs of the enterprises as well as to encourage North Karelian enterprises to extend their operations into the Russian market and increase the amount of enterprises involved in Russian trade. The project also aims at creating and establishing a new provincial model for corporate services and developing the logistics position of the Niirala border crossing point.</p>
<p>4. Location</p> <p>Finland North Karelia</p>
<p>5. Detailed description of the practice</p> <p>Origin: There is a long tradition of cross-border cooperation with Russia in North Karelia especially and border location is seen as an added value for regional development. Location in border region is ideal place for SMEs to practice business cooperation but it has become evident that because of different cultures, lack of knowledge and sometimes wrong perceptions starting cooperation is complicated. There has been need for "one door service point" at the entrepreneur's side as well as demand for the better coordination and joint regional strategy. In the past there have been successful projects in local or subregional level for enhancing and fostering business cooperation but the need for wider regional level joint programme has remained. North Karelian Trade Programme for Russia is next step towards regional coordination of Russian trade and a joint effort in creating permanent facilities for business support for Russian trade.</p> <p>Timescale: 2008-2010</p> <p>Bodies involved/implementation: Josek Ltd, Ketii Ltd, Pikes Ltd and Chamber of Commerce of North Karelia.</p>

Process and detailed content of the practice: Member organizations provide consultation to SMEs concerning trade to Russia. They help SMEs to plan and develop their business idea as well as to start business across border. For example one can get help with compiling export and marketing plan, tying connections as well as in contract negotiations. The concept is to offer all needed services in one place.

It also focuses on improving development and marketing of the Niirala logistics centre's operational model, management and development of relations with the authorities in Russia, establishment of trade-oriented Russia forum and compiling regional Russia strategy.

#### Services for SMEs

1. Basic services  
interpretations, translations and contact search
2. Special services  
market researches, legal consultation
3. Business cooperation based on activity
4. Improvement of subcontracting
5. Informing  
current events and briefings for enterprises
6. business and fair trips

Legal framework: Programme is regulated with national legislation and by EU regulations as for financing.

Financial framework: Co-financed with ERDF and national fund. ERDF facilitates the implementation of the measures everywhere in Russia. Participation fee for enterprises is 1000 € + vat

#### 6. Evaluation

One important result which has already achieved is formulation of North Karelian Trade Strategy for Russia 2015 in cooperation with wide range of regional stakeholders and experts. Participants are from regional development companies, representative associations of entrepreneurs, regional authorities and several other actors and stakeholders.

There have been several events organized by the programme i.e. networking visit of entrepreneurs and authorities from Republic of Karelia to city of Joensuu, info day about Business Representative Office of Eastern Finland ISBE and Russian forum in 2008 and 2009. North Karelian Trade Programme has also cooperated with other regional projects such as Wenet to help it to enhance partnership to Russia.

There are likely similar problems and challenges in other external border regions so this practice could be transferable to other regions. These same problems can most likely to be found from other EU external border region also because of different legislations and business policies and undeveloped networks in EU regions and neighbouring areas.

#### 7. Lessons learnt from the practice

Project is still under way and that is why final evaluation can not be done at this moment. Anyhow it can be said that it has succeed in creating regional network and common willingness to organize joint regional CBC activities more efficiently than before. Also some of the objectives have been already achieved as stated before.

## 8. Contact information

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## 9. Other possible interesting information

www.josek.fi (in Finnish, English, German and Russian)

www.keti.fi (in Finnish)

www.pikes.fi (in Finnish)

www.nk.chamber.fi (in Finnish and Russian)

## 1. Title of the practice

### **Wenet – Wood Energy Net**

## 2. Precise theme/issue tackled by the practice

Wenet, Wood Energy Net, is a concept for the transfer of business models, technology and expertise from North Karelia to other parts of the world. It also offers tailored step-by-step business support by using the best available wood energy technology and know-how. That means tailored solution and support to bioenergy businesses: from initial evaluation of potential to investments in energy plants and fuel supply chains all the way to education and transfer of knowledge. All the services are provided from one place.

Significant added value for SMEs is that they can start exporting and internationalisation with the support of the network as well as create connections with research organizations. Wenet concept enhances R&D, transfer of knowledge, partnership, internationalisation and generation of export rings.

Members of the Wenet are companies and research and training organizations from North Karelia and other parts of the Finland as well as their partners abroad. Wenet is based on a strong regional know-how on forestry.

## 3. Objectives of the practice

Objectives of Wenet are to promote export, internationalization, networking and partnership in North Karelian wood energy sector and enhance competitiveness of region's enterprises. It covers wide range of the problems and challenges which enterprises encounter in peripheral border regions.

## 4. Location

Country: Finland

Region: North Karelia and Eastern Finland

## 5. Detailed description of the practice

Origin: Forestry has been the backbone of the North Karelian economy for decades. Although forest sector have encountered wide range of structural changes during past decades it has a strong effect on regional economy not least because of the promotion new technology and innovations in the sector. Especially strong regional know-how on wood energy production has developed since promotion work started in the 1980s. Wenet network was established to promote export and internationalisation of regional expertise. It started as a North Karelian initiative for promoting North Karelia as a forerunner in the field of sustainable wood energy.

Now it has widened to other parts of Eastern Finland and joint East Finnish export project Wenet Centre has been established based on the successful experiences achieved during the previous projects.

Timescale:

“Wenet - Karelian Wood Energy Park for Europe” 1.5.2004–31.10.2007

“Expanding of Wenet (Wood Energy Net) based on Eastern Finnish expertise and technology” 1.10.2007–31.3.2009

Interregional “Wenet Centre” 2009 onwards

Bodies involved/implementation: Josek Ltd is the leader of the project. Steering group and working group consists of actors from different regional organizations and after the widening of the network also from other parts of Eastern Finland.

Process and detailed content of the practice:

1. Wenet - Karelian Wood Energy Park for Europe and it was implemented 2004-2007. Main objectives were:

- Construction and establishment of Wenet network
- Transfer of technology and know-how to international markets
- Organizing study visits for experts
- Preparation and implementation of international projects
- International cooperation with partner networks from different countries
- Construction of Wenet brand for international markets
- Wood Energy Solutions 2006 event

2 After successful implementation of Wenet network in North Karelia it started to broaden to other parts of Eastern Finland and solidification its status. Implementation phase were 1.10.2007 - 31.3.2009. Main objectives were:

- Implementation of East Finland Bioenergy Programme 2015
- Widening Wenet to East Finnish interregional wood energy network
- Construction of Wenet organization which will secure competitiveness, continuation and flexibility of the network as well as a right to act as a legal person i.e. improving Wenet model
- Productization and commercialization of services (know-how, services and technology) of Wenet network as well as its members
- Continuation of construction and marketing Wenet brand with targeted marketing
- Wood Energy Solutions 2008 event in Koli, North Karelia
- More efficient cooperation with enterprises

3. Planning of the interregional Wenet Centre started already during the “second phase” because of wide interest of Eastern Finnish actors. Josek Ltd. is the lead partner and Energy Agency of Etelä-Savo became a partner. Other actors involved are University of Applied Sciences of North Karelia, Savonia University of Applied Sciences, Lönnrot Institute of Kajaani University Consortium. Objectives are:

- Improvement of expertise, internationalisation of enterprises and support with marketing
- Participating international events and exhibitions
- Organization of international meetings, events and visits in East Finland
- Marketing of know-how

- Strengthening of Wenet brand
- Wood Energy Solutions 2010 event
- Establishment of Wenet registered association

Legal framework: Legality is based on national legislations and as for finance ERDF regulations as well

Financial framework: ERDF, Josek Ltd, Regional Council of North Karelia (national public co-financing).  
Interregional Wenet Centre co-financed with the fees for enterprises (1000 - 3000 €/enterprise)

## 6. Evaluation

What comes to objectives concerning networking, promoting internationalisation, export and marketing the Wenet brand results have been very promising. Knowledge of the network has grown and actors have been invited to speak in several events around the world.

Network has a wide variety of members such as the Finnish Forest Research Institute, Universities of Applied Sciences of North Karelia, Mikkeli and Savonia, Forestry Centre of North Karelia, ProAgria Rural Advisory Centre of North Karelia, University of Joensuu, University of Kuopio, Lappeenranta University of Technology, European Forest Institute (EFI), VTT Technical Research Centre of Finland. In total 18 organizations, 34 enterprises and 11 other cooperation partners were involved in "second phase" of the Wenet project. Widening and strengthening of Eastern Finnish bioenergy and environment network has been successful which already is a valuable achievement. Actors have been seriously involved which have led to establishment of interregional Wenet Centre.

Entrepreneurs have noted that starting internationalisation with strong and reliable Wenet brand has been increasing their visibility and credibility, widened their markets and made it easier to start exporting. In addition, cooperation with research and education sector have increased their knowledge and brought new possibilities to participate in EU and R&D projects.

Wenet also has succeeded in activation of Eastern Finnish research and education organizations to implement more EU funded and national projects. Partners have been often found through Wenet's international networks. In addition, Wenet has crucial effect on increasing amount of international exchange students in University of Applied Sciences of North Karelia.

Downturn of global economics effected on Wenet project also because of closing down of pulp and paper mills have a direct effect on forest machine and technology industries. Some enterprises which were already engaged to finance interregional Wenet Centre started to withdraw in the beginning of the 2009. Mostly this happened in the region of North Savo where Wenet network was a new concept. On the other hand enterprises which were already acquainted with the network continued cooperation because they already had good experiences of the cooperation through Wenet.

Transferability: The concept or some parts and patterns could be transferable to other geographical context.

## 7. Lessons learnt from the practice

With strong expertise, know-how, marketing and regional coordination as well as will it is possible to built a strong regional network of research organizations and enterprises with a high probability to survive after project funding. At this point enterprises are ready to finance the work of Wenet Centre by themselves because of their good experiences of the concept.

8. Contact information

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9. Other possible interesting information

www.wenet.fi, www.josek.fi

1. Title of the practice

**Finnvera**

2. Precise theme/issue tackled by the practice

Lack of resources, especially financing is often obstacle for SMEs to start business, grow or internationalize. Especially in peripheral regions, Finnish national regional policy target areas and EU objective areas, function of markets are insufficient, risks are higher and financing from open markets is more difficult to get. Access to venture capital and risk financing are also problematic in peripheral region.

Finnvera plc is a specialized financing company owned by the State of Finland and it provides loans, guarantees, venture capital investments and export credit guarantees to enterprises. Finnvera with other financiers grants financing for enterprise operations that meet the criteria of profitable business. It participates in financing when enterprises own resources or collateral are insufficient for acquiring financing on the commercial markets. It also provides guarantees against political and commercial risks arising in the financing of exports.

3. Objectives of the practice

Finnvera complements the financial markets and enhances actions of SMEs as well as export and internationalisation of enterprises by means of financing. Its objectives are also to increase the number of starting enterprises, finance SMEs in situation of change and promote growth of enterprises. One important aim is also to promote national regional policy goals which especially affect sparsely populated border regions. Each year the Ministry of the Employment and Economy lays down goals for Finnvera's operations.

4. Location

Entire Finland

5. Detailed description of the practice

Origin: Finnvera Plc was established in 1.1.1999.

Timescale: continuing

Bodies involved/implementation: State of Finland as a owner, 16 regional offices of which one in Joensuu, North Karelia and representation of St. Petersburg.

Process and detailed content of the practice:

## Finnvera's strategy for 2009-2013

- to meet the challenges arising from slower economic growth and from the imbalances on the financial market
- to increase the number of starting enterprises
- to ensure financing for SMEs in situations of change
- to meet the challenges posed for services by growing and internationalising enterprises
- to promote the exports benefiting the Finnish economy
- to make venture capital investments in starting, innovative enterprises
- to ensure internationally competitive know-how and to improve productivity and customer satisfaction

For promoting regional development it has created a model which directs financing to the lacking regions and areas affected by structural change and loss of jobs. It is a intermediary between regions and support programmes of the State of Finland and ERDF. The interest support is used to reduce the financing costs of SMEs in the national assisted areas and in the EU objective areas. It provides investments and working capital loans, entrepreneur loans, microloans, loans for women entrepreneurs and environmental loans. The regionally graduated credit and guarantee losses are compensated by State of Finland and that makes it possible to take higher risk.

Through its subsidiaries Veraventure Ltd. and Seed Fund Vera Ltd. Finnvera provide venture capital investments and seed fund for early-stage innovative enterprises as well.

Legal framework: Finnvera's operations are grounded on specific legislation and it has stationary tasks and it operates obeying Finnish laws. Finnvera has official Export Credit Agency (ECA) status which requires it to provide guarantees against political and commercial risks arising in the financing of exports.

### Stationary tasks:

- Providing risk financing for SMEs and development of SMEs
- Promotion of the internationalisation and exports of enterprises
- Promotion of the government's industrial policy and regional policy measures

Financial framework: Finnvera acquires its funds from the capital markets and from specialised funding sources. Also insurance companies and banks can be the sources of funds. For long time acquisition of funds Finnvera uses debt securities, bonds and bond programmes. The State of Finland can grant guarantees for it.

## 6. Evaluation

Finnvera's services are highly used in North Karelia and the amount of clients has increased 2006-2008. According to several surveys it is the most important financing instrument after bank for North Karelian enterprises. With regional policy goals Finnvera have also important role in peripheral border regions because its possibility to react structural changes and sudden loss of jobs. Most of the financing Finnvera provides is for SMEs.

In year 2008 Russia was the biggest individual country to where export financing that Finnvera financed nationally. It has also representation of St. Petersburg.

Transferability: The concept or some parts of it could be transferable even though the owner relations or geographical scale would be different in other context. Of course as it is the company owned by the State of Finland and it has special stationary tasks the concept has to be fitted to other kind of administration structure.

#### 7. Lessons learnt from the practice

Finnvera is important regional actor in providing financing for SMEs and also because of its regional and industrial policy measures and objectives.

#### 8. Contact information

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#### 9. Other possible interesting information

[www.finnvera.fi](http://www.finnvera.fi) (in Finnish, Swedish and English); annual reports and financial reviews to be found from the same page