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FROM THE CHIEF EDITOR



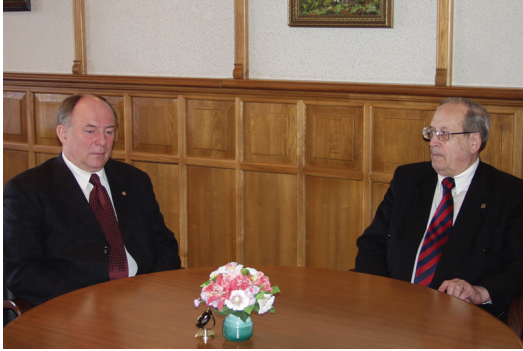
**Vladimir A.
ILYIN**
Doctor of Economics
Professor
Honored Scientist of the RF
Director of ITSED RAS

Dear readers,

Departing from the developed tradition to start each new journal edition with the article devoted to the theme of the issue, I would like to mention that the year of 2010 is special for the basic journal's founder, namely for the Institute of Territories' Social and Economic Development of the Russian Academy of Sciences (ITSED RAS), as in 2010 it has passed 20 years since the Institute was established.

ITSED RAS was founded in December, 1990 as the sub-unit of the Institute of Economic Problems of the Kola Scientific Centre. The decree on the ITSED foundation was signed by the Doctor of Economic Science G.P. Luzin, who was its Head of that time. This important decision was caused by the increasing role of the Vologda Area in the economy of the Northwest of the country, and by the necessity of scientific substantiation of the further regional development's prospects. The status of the establishment has been varying since then, but the continual line of its advancing material technical and staff development, the growth of the quantity and the quality of scientific researches in the field of the regional economic science always remained permanent.

At various stages of the ITSED history the Members of the Russian Academy of Science such as **L.I. Abalkin**, **A.G. Granberg**, **V.V. Ivanter**, **V.L. Makarov**, **P.A. Minakir**, **A.I. Tatarkin**, and Corresponding Members of the Russian Academy of Science such as **N.M. Rimashevskaya**, **V.I. Suslov**, played a great role in its making. They repeatedly participated in various scientific events held in Vologda, supported researches' actualizations with their advice and recommendations. Important contribution on organizational and financial development of the scientific activity of the first and still the only academic establishment in the Vologda Area was made by the Heads of the Russian Academy of Science; among them are President **Ju.S. Osipov**, Vice-Presidents **A.D. Nekipelov** and **V.V. Kozlov**, Head of Economy Section of Social Studies Branch of the RAS Academician **N.Ja. Petrakov**, chargeable staffers of the Russian Academy of Science's Presidium **L.A. Anosova** and **V.K. Egorov**.



April, 2003
Meeting between Vologda region Governor
V.E. Pozgalyov and academician D.S. Lvov



April, 2003
Russian conference “Strategy and tactics of social and
economics reforms realization: regional aspect”
(left to right: D.S. Lvov, N.V. Kostygov, V.A. Ilyin)

Undoubtedly we should also note Academician **D.S. Lvov's** invaluable efforts on scientific economic school's formation in Vologda. He actively cooperated with the region's Governor **V.E. Pozgalev** on this matter. The achievements of Dmitry Lvov are important not only because during hard times of market reforms he was the official head of the economic science in Russia and was the initiator of the all-Russian Scientific Practical Conferences on Strategy and Tactics of Economic Reforms' Realization in Regions held in Vologda (five conferences were held at his personal participation). The main thing is that at these conferences and other scientific assemblies Dmitry Lvov brightly and convincingly proved the necessity of the Russian economy's modernization; spoke about its realization's opportunities on the basis of fair distribution of incomes got from the huge country's natural resources for the benefit of all population. The Academician foreknew many of those enhancement concepts which are put forward nowadays.

Dmitry Lvov repeatedly criticized the economic policy of the power structures. The authority starting with “the scholastic researches of abstract non-existing in reality models of market balance” (S. Glazyev), in one of his speeches was metaphorically determined in the following way: “Two troubles are known to exist in Russia; they are the fools and the ways. Recently the third trouble joined them, and it is the fools showing the ways”.

Dmitry Lvov would have been 80 this February if he had been alive; and though he has not lived up to this date, he left a great deal of inestimable ideas having not only narrow-special, but the great social value. These ideas are the guiding ones in the contemporary activity of the ITSED RAS.

Recently many heads of the RAS economic institutes located in the Northwest of the Russian Federation, such as Corresponding Member of the Russian Academy of Science **V.N. Lazhentsev**, Doctors of Science **O.P. Litovka**, **M.A. Gusakov**, **V.S. Selin**, **F.D. Larichkin**, **A.I. Shishkin**, supported escalating of the scientific potential of ITSED. The contribution of the Vologda economists, such as of Corresponding Member of the Russian Academy of Agrarian Science **A.P. Dorogovtsev**, Professors **E.S. Gubanova**, **N.A. Paholkov**, **M.V. Selin** and others is considerable in the increase of the ITSED researches' importance.

The journal's editorial board is grateful to all the authors who contribute to the growth of the ITSED authority in the Russian economic science with their substantial articles. For two years, which have passed since the edition's occurrence, the materials about the ways and the mechanisms of the efficiency's increase in territorial socio-economic systems, about the methods of the transition to the innovational development of the regional economy, and about the ways of overcoming of the crisis' consequences have been published. Due to the authors' active position by the decision of the Presidium of the Supreme Certification Commission of the Department of Education and Science of the Russian Federation from February, 19, 2010 the journal was included in the List of Scientific Periodicals where the basic scientific results of dissertations for obtaining a Scientific Candidate or Doctor Degree should be published. The editorial board hopes, that the cooperation will continue, and asks the authors to be even more active in increasing the publications' qualitative level in the journal in 2010.



January, 2006

Academician V.L. Makarov's speech on the conference: "Strategy and tactics of economics reform realization: regional aspect"



December, 2008

President of RAS academician Yu. S. Osipov and Vologda region Governor V.E. Pozgalyov are signing a cooperation agreement between Vologda region government and RAS in the field of science, education and innovations.

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The first decade of the XXI century is the time for our country's transition from one economic formation to another. Nowadays the life is complex, ambiguous. So the examples, being evidence that the authority is ready to actively help to science so as to focus the economy on the innovational development, capable to modernize all society as a whole become significant within the grandiose economic changes.

One of such examples is opening in ITSED RAS the new digital body of the Scientific Educational Center of Economy and Information Technologies which was created seven years ago for revealing and development of the talented youth's abilities in the region. On February, 8, on Science Day, the ceremonial meeting was held; Vice-President of the Russian Academy of Science **A.D. Nekipelov**, Chief of the Humanities and Social Studies Department of the Presidium of the Russian Academy of Science **V.K. Egorov**, First Vice-Governor of the Vologda Area **N.V. Kostygov** and Vologda Mayor **E.B. Shulepov** took part in it. The presence of such important membership at the opening was not occasional; the construction of the new building of the Scientific Educational Center equipped according to the latest trends in engineering became possible due to the active support of the Russian Academy of Science and of the Vologda Area Government. Notwithstanding the fact that the digital body's implementation was planned for the year of 2010, the joint efforts of the three parties made it possible to place the new building in operation in 2009.



January, 2004
Opening of the Scientific and educational
centre building



Vice-president of RAS V.V. Kozlov
and Director of ITSED V.A. Ilyin
are cutting the ribbon

The relatively short history of the Scientific-Educational Center (SEC) opened in 2003. 7 years ago, RAS President Yu.S. Osipov and the Vologda region governor V.E. Pozgalev appealed to the President of Russia **V.V. Putin** with a joint letter in which it was suggested the need to organize complex targeted advanced training in economics, management and information technology in the chain “school - university - postgraduate education”. The proposal to increase the region’s scientific potential growing “stars” in the Vologda land was supported by, and soon the Scientific-Educational Center of economics and information technology at ITSED RAS (at that time the Vologda Scientific Coordination Center of the Central Economics and Mathematics Institute) was opened.

During the existence of SEC over 200 children – students of 5 – 11 forms – got free training in economics, mathematics, information technology and humanities. The latter are particularly important because the future intellectual elite of the country must be not only educated but also civilized in the true Russian sense of the word, which involves internal culture, the existence of a moral core that has been lost by our contemporaries in the past twenty years, according to many opinions.

About 400 students not only from Vologda, but also from other cities of the region study in the Center today. Almost half of the SEC graduates choose economic specialties at high schools after graduation. First SEC graduates have already become ITSED RAS postgraduate students and are active today in the field of science, which was chosen by them at school. And the Institute provides their students with all the opportunities that after 7–10 years, they were able to defend doctoral dissertations.



February, 2010
Opening of the new Scientific and educational centre building



Vice-president of RAS A.D. Nekipelov, Vologda region vice-governor N.V. Kostygov, Director of ITSED V.A. Ilyin and the city of Vologda Head E.B. Shulepov are cutting the ribbon.

In conjunction to the opening of the new building of SEC RAS Vice -President **A.D. Nekipelov** met with the Governor of the Vologda region **V.E. Pozgalev** during his visit to Vologda. During the conversation the sides discussed the current state and urgent problems of domestic science. According to the academician, A.D. Nekipelov, “today in the world there is a very profound rethinking of the way in which society will evolve and who will succeed on this path. Even in difficult economic conditions, many advanced countries have dramatically increased funding for research activities. Today in Russia there is a big debate about what the domestic science should be like, what is the role of fundamental and applied research, what efforts should be focused on applied science. Fundamental science has sense, when eventually after some time the received knowledge is applied to the creation of new technologies. Unfortunately, in the 90th years of last century in Russia, with a high international level of basic science, we have lost the bulk of applied science.

In addition, Russia’s business has not particularly been interested in research – neither domestic nor foreign, and was guided by the purchase of existing technologies for many years. In such circumstances, there is a serious problem for the state – what to do next? The Russian Academy of Sciences has repeatedly expressed its clear position on this issue – if the country has ambitious intentions and desire to become elite defining the future of mankind, we must develop the fundamental science. Without this, it is impossible to navigate in the world of science, because it is impossible to predict in which direction it will evolve. <...> Today there is also a lot of discussion about the forms of fundamental research organization. In Russia it is academic over 286 years and over these years it proved its effectiveness. Traditionally, fundamental



March, 2010
Schoolchildren-Economics competition winners



March, 2010
During the lessons in Scientific and educational centre

science developed at universities, and the Russian Academy of Sciences is interested in their support and development. With regard to the problems prevailing in the applied sciences, the scientists here need assistance from the state at all levels of government more than ever.¹”

RAS Vice President has also stressed that the Russian Academy of Sciences appreciates good, business and constructive relations that have developed with the Vologda region, where there is preferential treatment to science. From the standpoint of RAS, the academic structure established in the Vologda region 20 years ago is “one of the best options for cooperation at the regional level”².

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Concluding the article, I would like to remind our dear readers of the journal themes for 2010:

2 (10) – “Problems of the energy base development and NWFD regions’ energy security” (June);

3 (11) – “Social development of the European North” (September);

4 (12) – “Problems of foreign economic activity development in the NWFD regions” (December).

This year the editorial staff is planning to add one more section, where the best work of graduate students will be published. The terms of materials placement in this category can be found in the information section of this issue.

Dear readers, we are waiting for your interesting materials about the regions’ life, on the measures taken by the authorities to overcome the crisis effects in the economy.

¹ Discerning the future // Krasny Sever. – 2010. – № 12. – February, 18.

² Ibid.

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DEVELOPMENT STRATEGY

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The anti-crisis component of regional management: composition and instruments

The article characterizes the composition of anti-crisis measures implemented by authorities of the Vologda region, and also usable instruments of their implementation. The main results of changes in the socio-economic situation of the region in 2009 are shown, lines of activity providing sustainable development of the region are formed.

The Vologda region, anti-crisis measures, current socio-economic situation, economic diversification.



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To date, the Russian Government has established and implements a wide range of anti-crisis measures, which is unique to number of forms and areas of governmental influence on the economy, the volumes of used resources.

Experts estimate that the total “cost” of anti-crisis measures about the real sector of economy in October 2008 – December 2009 amounted to 2.1 – 2.5 trilion rubles (*figure*).

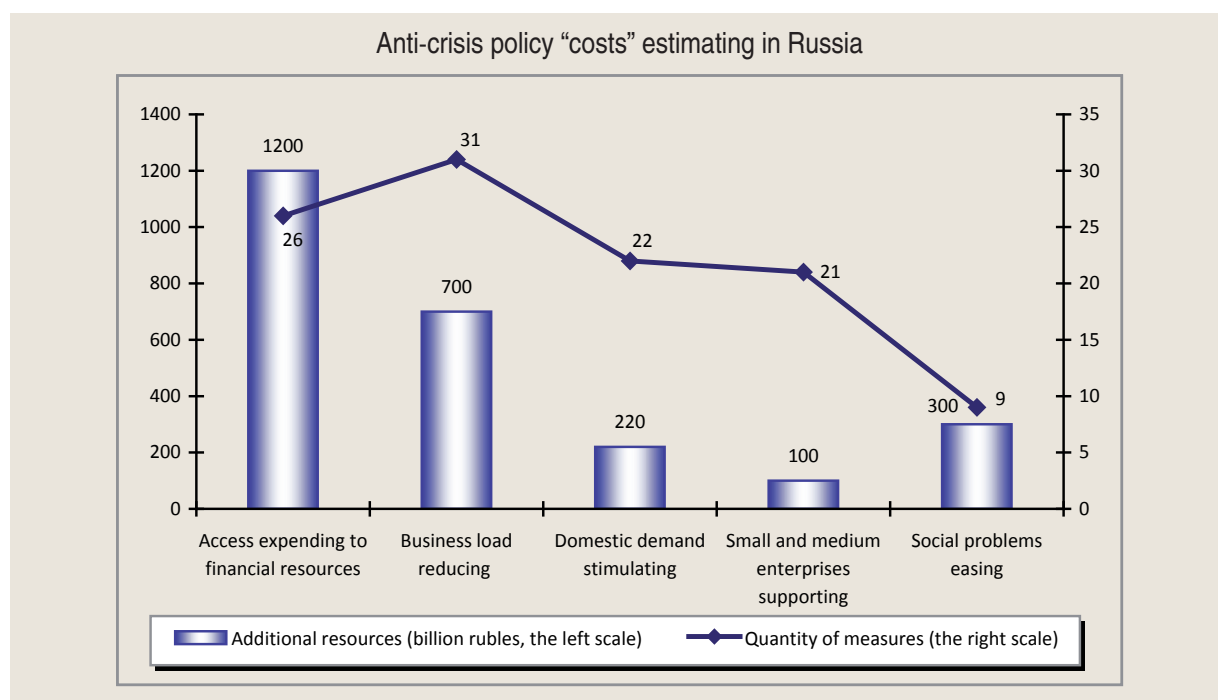
First ranks measures for access expansion of the real sector to financial resources (1.1 – 1.2 trilion rubles), second - measures for reducing the business load (budget losses – 500 – 700 billion rubles), third – social policy measures related to the stimulation of public demand, support for beginning entrepreneurs – 250 – 300 billion rubles, then – stimulation of domestic demand (180 – 240 billion rubles), and measures for small and medium businesses support (60 – 90 billion rubles).

Besides the activities of federal agencies, crisis situation required also a fast response from regional authorities.

For the Vologda region the problem of anti-crisis actions were very complex. On the eve of the crisis the region showed high rates of economic growth, it was a donor region. The crisis interrupted its progressive development. The greatest blow came in metallurgy. Decrease in demand led to landslide of prices for ferrous metals.

Enterprises of engineering, timber processing complex, glass industry and other industries which have production distribution problems are now in difficult situation.

Both in other regions of Russia and in the Vologda region investment activity has decreased, the implementation of some investment programs are put off until better times. The region Government faced the task to



implement operation measures aimed at protecting the citizens and economy from the crisis shock, to ensure economic viability.

Since October 2008 work on the forming of government anti-crisis plan of action had been begun, and by early 2009 it was transformed into a format of detailed arrangements for providing the sustainable functioning of economy and social field in the region.

Administrative resources are fully set in motion and the system of crisis reaction is formed. The regional inter-ministerial commission with the participation of members from the Legislative Assembly of the region, labor union organizations, law enforcement agencies, representatives of business community work actively. The staff of immediate reaction, sectoral committees on scopes of activity and commissions in the municipalities are operating.

In short terms were made the lists of system- and town-forming organizations having a right to receive the state support for inclusion the companies of the regional significance into the list formed by the Regional Development Ministry of the Russian Federation. The list of system-forming organizations was approved

by the Government Commission on Dec. 23, 2008. The list of regional significance companies includes 19 organizations from the Vologda region. Governor's order from 12.01.2009 № 14-p "On the creation of working group to improve the sustainability of the regional system-forming organizations" is adopted. Monitoring of financial and economic condition in the enterprises of regional importance is realized.

January, 13, 2009, the Governor order № 29 "About creation of the commission for cooperation with Severstal to stabilize the socio-economic situation" was accepted. In accordance with the schedule signed by Severstal and Cherepovetz City Hall June 1, 2009, the objects of social and cultural facilities owned by Severstal are transferred for free use of municipal formation "Cherepovetz" according to the contract № BP 9005. This solution alleviated the situation in the metallurgical industry.

A number of measures to stabilize the activity *engineering plants* are taken.

With the support of the Government by the order of the Industry and Trade Minister V.B. Khristenko, on 05.05.2009, № 380 the buses "Olympus" of JSC "Vologda Machine-

Building Plant” and trolleybuses “Avanguard” of JSC “Trans-Alfa Elektro” are included into the list of vehicles and municipal vehicles for the purchase by RF subjects. The request from Ministry of Regional Development of Russia on the grant to the Vologda region includes 17 models of buses and one model of trolleybus. The matter of product supply from JSC “VBF”, JSC “Vologda Machine-Building Plant”, “Vologda plant SKDM” for the needs of transport organizations are considered by JSC “State transportation leasing company”.

The regional machine-building enterprises were assisted in solving the problems of uninterrupted supply of heat and power (JSC “Electrotechmash”); debt offsetting for the consumed heat (JSC “VBF”), power outages preventing (Company “Crane-Service Plus”); resuming of power supply and connecting electrical equipment to the networks (Company “Cranes and Components”).

Within the bounds of stabilization of *the timber complex* are solved such issues as: the provision of additional subsidies from the federal budget in the amount of 61 million rubles for forest roads breaking, the subsidies from the federal budget in interest rates on loans to timber industry organizations of the region to create off-season stocks. To improve the financial state of forestry enterprises is provided rent for use of forest on the actual volume of wood processing with a delay of payments. A number of legal acts in part to establish order and standards of wood processing, non-timber forest resources and to set the rates of fees according to the contract of forest plantations sale for citizens' own needs is enacted. A decision on providing of state guarantees to some forestry enterprises.

Into the state forestry were filed 1987 applications on the allocation of timber for building of individual houses. Citizens wishing to build houses have got the opportunity to purchase 200 cub. m of timber (previously it was 10 standard cub. m). The cost of 200 cub. m of

timber provided according to the contract of purchase and sale of forest plantations for their own needs, does not exceed 200 rub. (previously it was from 16 to 20 thous. rub.). From the total number of all applications 927 ones are satisfied, it means that sale contracts are signed with a total volume of 124.8 thous. cub. m of wood. And 400 people who received this form of support, have already mastered their plots. According to applications are extended terms of forest plantations sale contracts.

In *the power industry* are reduced limits of electricity and thermal energy consumption to organizations financed from the regional budget, taking into account the minimum energy consumption and energy efficiency measures (Decree of the regional government from 24.02.2009 № 334). During the first 9 months of 2009 volumes of electricity consumption decreased by 5.4% as compared with the same period of last year .

Today in order to provide state guarantees for loans guaranteed the suppliers of electricity and the Department of Finance assisted to “Vologdaoblkommunenergo” in obtaining a loan from Sberbank in the amount of 150.0 million rub. against the mortgaged property without the provision of regional guarantees. In addition, Bank “VTB “North-West” decided to granting the loan of 150.0 million without provision of the state regional guarantees to GEO “Vologdaoblkommunenergo”.

The governor of the region and “Mezhregiongaz” signed the amended schedule synchronizing the process of *gasification program* in the Vologda region according to the Treaty on cooperation between the regional government and “Gazprom”.

For agribusiness important was by the regional government approved Regulations on the allocation from the regional budget subsidies for reimbursement of expenses for purchase of mineral fertilizers. Grants for reimbursement of expenses for purchase of fertilizer are allocated by flax farms (agricultural organizations, re-

ardless of their organizational-legal form, the peasant/farmers and individual entrepreneurs), flax organizations involved in the cultivation of flax and its processing.

For monitoring the situation in the consumer market of the region the lists is formed which identifies 11 types of socially important goods and 16 essential commodities, included into the standard market basket.

The decision of the regional government from January 13, 2009 №8 “About the realization of plan action for the sustainable functioning of economic and social field”, in order to ensure the continued availability of socially important food products and goods of a standard market basket, to the enterprises engaged in food trade were recommended:

- to take measures for timely implementation of the calculations with the food and processing industries;

- for wholesale organizations – to provide a two-month supply of socially important food products of long term storage (salt, cereals, sugar, sunflower oil);

- for retail organizations – to provide the availability in the trade enterprises social goods and essential commodities.

Trading places on the regional retail markets by agricultural producers and enterprises of food and processing industry are provided in accordance with applicable law. The Register of retail markets includes 32 retail market, the total number of trading places is 3,247, the majority of them (63%) is non-food products. The largest number of trading places for the realization of food products is vegetables and fruits (243 seats), meat (187), grocery products selling (89).

To produce the food security of the population and to increase sales of agricultural production the sale of food products is organized through fairs and visiting trade. The bodies of local self-government provided 86 territories for the fairs with the organization of preferential trade places for the sale of agricultural pro-

ducts. During the period from December 2008 to December 22, 2009 104 fairs were organized with a total turnover of about 204.1 million rub.

The regional budget provides compensation of expenses for the payment of interest on investment loans and loans to agribusiness, provides grants for the purchase of fuel and lubricants, mineral fertilizers, the development of animal husbandry.

The banking sector is a part of the infrastructure for effective functioning of the real sector in the regional economy. The monitoring results indicate that the region's financial system is stable. Since the beginning of 2009 credit organizations of legal persons granted loans worth over 12 billion rubles, the estimated average rate on loans was 17.94%.

To maintain a stable state in the financial sector of the region and to increase the availability of credit for the public and the real economic sector the government recommended managers of commercial banks to take measures to increase the loan portfolios at least in 2% per month.

The region government prepared a list of over 300 organizations providing a stable functioning of the economy and social sphere of the region and recommended for priority lending by commercial banks.

Special attention is paid to the use of *small and medium businesses* reserves.

The Vologda region became the first in the selection of the RF subjects to provide in 2009 grants to finance activities carried out with the state support of small business, and got subsidy for grants from the federal budget at the rate of 74.8 million rubles.

Government Resolution from 27.01.2009 № 118 of the long-term target program “Development of small and medium businesses in the Vologda region in 2009 – 2012” is approved. On the implementation of the program in the regional budget is provided an amount of 286.8 million rub., including in 2009 – 65.9 million rub.

The Program increases the access of small and medium enterprises to financial resources and borrowing through:

- ▶ subsidies to small and medium-sized businesses to establish their own business (grant support);

- ▶ guarantees for obligations based on credit instruments to small and medium businesses;

- ▶ subsidies to small and medium-sized businesses for reimbursement of the cost to pay interest on loans borrowed from credit institutions, and leasing payments to leasing companies. On 25.12.2009, 175 applications for grants to offset the interest rate on loans for a total amount of 34.4 million rub. are approved;

- ▶ subsidies on a return basis in the form of micro-loans to small and medium enterprise (microfinance). Recipient of the grant is SPKK "Vologda-credit".

For organizations and individual entrepreneurs engaged in socially important sectors (food processing, textiles, garments, dressing and dyeing of fur, manufacture of folk arts and crafts, housing, tour operators activities) tax rate is 5% (by the Region Law from February 27, 2009 № 1960-RL "On establishing the tax rate on the tax levied in connection with the use of a simplified system of taxation for the year 2009").

The rental tax rate rent for the rental property located in the regional property, property in order to support small businesses by small business organizations, are decreased by 30%, and the term of repayment of leased premises of 1,500 square meters is increased from 5 to 7 years.

The online "hot line" on the web-site of the Government is available to provide a constructive relationship between governments of all levels with the business community on issues of small business support and the elimination of administrative barriers.

To stabilize the situation on the regional labor market the government takes active measures to support and regulate optimally in the cur-

rent labor market. In order to reduce tensions in the region is developed and approved by the region Government decision from January 14, 2009 №13 the target program "Promotion of employment including activities to promote the employment of individuals under risk of dismissal in 2009" (modified on February 5, 2009 №182). The Program is approved by the Interdepartmental Working Group on Monitoring of the situation in the labor market of the Russian Government.

The regular "hot line" is organized in order to take additional measures to inform citizens about the situation in the labor market and to communicate efficiently with the population of the region, also in employment centers "hot lines" operate. In the employment center of Cherepovetz from January 19, 2009 works multichannel "hot line" Anticrisis". All phone numbers are available on the website of the Department of Employment, published in the city and regional newspapers. This information is regularly published in the newspaper "Labor Market". Through a telephone "hot lines" 5,995 employers and 50,037 people who applied to the bodies of the employment service to find work were consulted. The region bodies of the employment service organized 89 specialized counseling and information kiosks for self-searching of work by citizens.

By the regional governments, municipalities, businesses implemented work to overcome the crisis situation gives some positive results. Some of the major indicators of changes in the socio-economic situation of the region up to 2009 are presented in the *table*.

But many problems of crisis situation still remain extremely sharp. First of all, this applies to increase of officially registered unemployment, imbalance of receipts and expenditures of the consolidated regional budget, reconstruction in exports of steel products.

To achieve the most effective use of available production and raw material potential of the region is possible through solving of some issues in the priority sectors of the economy

Some major indicators of the integral estimate of current socio-economic situation in the Vologda region

Indicator	Indicator value
Index of industrial production: - January – August 2009 in % against January – August 2008 - January – December 2009 in % against January – December 2008	76.6 87.6
Real cash incomes of population: - January – July 2009 in % against January – July 2008 - January – December 2009 in % against January – December 2008	83.4 86.6
The share of unprofitable enterprises and organizations, % - July 2009 - December 2009	41.4 22.6
Growth rate of overdue account payable of large and medium-sized enterprises: - July 2009 in % to July 2008 - December 2008	134.7 66.4
Growth of own revenues of the consolidated budget: - January – July 2009 in % against January – July 2008 - January – December 2009 in % against January – December 2008	60.4 55.2

and social sphere. For this it should reduce the share of primary industries, reduce the proportion of energy and transportation costs in the structure of production costs, adjust technical and technological level of production in accordance with modern requirements, accelerate the process of replacing fixed assets with a high degree of physical and moral deterioration, increase the use of production capacity, product competitiveness and level of intra- and inter-sectoral cooperation development among firms in the region, remove shortages of skilled personnel.

Implementation of anti-crisis measures, according to the choice of instruments, is going on two fronts: resources increasing in certain existing instruments, their “scaling” and the creation of new ones.

In the first direction objective is to maximize the beneficial uses of local competitive advantages of the territory with reference to domestic capacity increasing in the region and its position strengthening in the interregional and international markets.

In the second direction work is to overcome monostructure of the regional economy through diversification.

The forming regional innovation system creates the conditions for launch of new competitive products by enterprises, development of new types of equipment and technologies.

In metallurgy the production of high quality steel sheet for production of car body components hot-rolled with a polymer coating is being developed, equipment for non-contact ultrasonic quality control of metals is designed.

Technologies for rapid construction of residential, municipal, administrative and industrial buildings, production of modern energy-efficient building materials and constructions are widely used in building industry; in wood processing are introduced biofuel production, lines for production of profiled timber and vacuum impulse timber drying.

Over the past years the chemical industry made a huge step forward in the technical re-equipment of production and brought it up to world standards. Factories of the Group “FosAgro” – JSC “Cherepovetzky Azot” and JSC “Ammofos” – did not stop launching their production, did not discharge people continuing to produce in the most difficult period. This became possible because production was modernized at the right time. The formation of sulfuric acid manufacture system is finished, the technological pipeline to deliver ammonia from storage is built, other measures led not only to increase production of mineral fertilizers, but also improve their quality are taken.

Support for chemical companies of Cherepovetz in economic crisis contributes to diversify the Vologda economy and get away from its hypertrophied depending on Severstal.

Of course, in the near future economy of the region cannot fully “get down” from “steel needles”, but it is possible to use the crisis situation in order to partially balance the very strong influence of Severstal’s on region position.

Infrastructure of innovation are established in the region: business incubators in Vologda and Cherepovetz, branches of business incubators in regional centers of Belozersk, Gryazovetz, Sokol, Vozhega, innovation and technology center of VSTU, design and research center JSC “Sukhonsky river concern”; Centre of Technology Transfer of the Institute of Territories’ Socio-Economic Development of RAS; Venture Investments Center “Vologodchina”; more than 20 information and consulting centers. Two chambers of commerce

and industry, city development agency (Cherepovetz), LLC “Vologda Bureau of Intellectual Property”, Business Club and Club for Business people (Vologda, Cherepovetz), production training centers in the universities are working actively. The coordination of innovation activity is provided by expert scientific council and the Council for Development of scientific and technical potential of the region.

A program of scientific and technical potential development of the Vologda region till 2025 has been developed by the Institute of Territories’ Socio-Economic Development RAS, aimed at ensuring the sustainable growth of scientific and technical potential, its effective use for territories’ socio-economic development and improving the quality of life.

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Strategic reserves of labor productivity growth in the regional economy

The article work investigates features of labour productivity in regional economy and defines level and dynamics of labour productivity on separate branches and an economic complex as a whole. The problem of growth in labour productivity is connected with specific activities of branches and the enterprises.

It is revealed factors making the greatest impact on labour productivity. Considerable influence on labour productivity renders motivator – wages level.

It is revealed possibilities of increase of labour productivity under conditions of financial and economic crisis, it is developed the measures directed on increase labour productivity in the basic branches of region's economy in 1.5 – 2 times during the period 2008 to 2020.

Labor productivity, regional economy, factors of labor productivity growth, methods of measuring labor productivity, sources of labor productivity growth.



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Achieving high rates of economic growth is one of the most important aims facing governments at all levels, the successful solving of which will help Russia become a world leader.

In this regard it is very important to assess sources of economic growth that is due to what

factors it is achieved (extensive – by expanding the scope of labor, material, natural resources, or intense – through better use of resources through scientific and technological progress, a more effective labor means, advanced technologies and forms of production organization).

Table 1. Indices of GDP physical volume in the regions of the North-West federal district in 2000 – 2007 (in constant prices, in percentage change to the previous year)

Region	Years								Year of 2007 to year of 2000, %
	2000	2001	2002	2003	2004	2005	2006	2007	
Leningrad region	112.6	108.4	116.2	114.3	108.7	109.6	111.2	106.3	202.7
Kaliningrad region	115.1	103.2	109.5	109.3	112.6	103.6	115.3	119.9	199.2
St. Petersburg	110.1	104.6	117.5	108.5	107.1	108.3	108.3	113.1	189.5
Arkhangelsk region	116.4	105.8	101.6	108.2	121.4	109	107.2	112.2	185.1
Republic of Karelia	108.3	102.8	107.5	101.6	103	106.9	105.1	108.5	141.0
Novgorod region	102.9	112.2	98.2	103.5	106.5	103.8	104	105.5	138.3
Vologda region	107.5	101.9	102.5	104.6	109.6	104.5	104.8	105.1	137.8
Republic of Komi	110.1	107.9	96.6	103.9	105.1	104	108.6	99.6	128.0
Pskov region	105.8	100.2	105	103	106.2	100.3	104.9	105.6	127.9
Murmansk region	104.2	101.6	98	101.1	103.8	102.4	102.7	102.2	112.3
NWFD	109.7	104.8	108.6	107.1	108.5	106.6	107.7	109	165.5

Source: http://www.gks.ru/bgd/free/b01_19/IssWWW.exe/Stg/d000/dusha98-07.htm

In the period of 2000 – 2007 in the country both types of factors were involved, but in general, the rise of Russia's economy was based on the use of natural resources, the old production facilities and a certain reserve of labor force. However, the effect was substantial: the average annual growth rate of gross domestic product amounted to 6.9%, industrial production – 5.8%, the volume of investment in fixed capital – 14.8%.

Sustained economic growth in this period was in the North-West federal district. Gross regional product in the regions of the district increased by 1.65 times (*tab. 1*). The largest increase was provided by Leningrad, Kaliningrad, Arkhangelsk and St. Petersburg oblasts.

However, from the middle of 2008 the trend of growth of the domestic economy has been replaced by large-scale recession that resulted from the global financial crisis. Reduced production seized the territory of the North-West Russia, serious problems have arisen in the real sector and financial and social spheres. For example, in the Vologda oblast – export – oriented, industrialized region of the North-West federal district, in which industrial structure ferrous metallurgy is more than 60%, industrial decline up to 2008 amounted to 5.3%. The greatest decline is recorded in the metallurgical industry due to falling prices of ferrous metals on both the domestic and global markets.

Loading capacity of metallurgy in the first half of 2009 amounted to 50% pre-crisis level. The oblast experienced a large-scale unemployment, regional budget revenues dropped by almost half, implementation of investment programs are suspended.

To accelerate the restoration of Russia's economy after the recession a long-term strategy is needed to improve its efficiency and competitiveness. A new paradigm of growth is needed, based on higher productivity as a complex expression of intensification of all production factors, rather than on favorable commodity markets.

Productivity growth will transfer extensive growth, provided by raw resources, in intensive as well, based on the achievements of scientific-and-technological advance and to ensure the competitiveness of Russia's products in the domestic and world markets¹, but also as a consequence, improve the welfare of Russian citizens, their quality of life. For Russia this problem is one of the most important.

In developed economies labor productivity is important, but also consistently increases as well. At present this is achieved at the expense of the entire increase in national income and industrial production, agriculture and other industries.

¹ In the rating of competitiveness of countries Russia ranked 51st place in 2008.

Today Russia in terms of labor productivity lags behind many countries. If before 1990 the growth rate of labor productivity in Russia surpassed the global average (and in the period from 1960 to 1980 – in 2.2 times), during the economic crisis they have fallen sharply (in 2000 – nearly by 2 times to 1990 level) and labor productivity was only 82% of the world level.

Russia has traditionally lagged behind developed countries in labour productivity. During the reform period this lagging has not been eliminated and noticeably increased as well. If in the early 1990's the gap between Russia and the US in terms of labor productivity was 4 – 4.5 times, at the beginning of a new century – 5.5 – 6 times [1].

Compared with developed countries of the world level of labor productivity in Russia is unacceptably low. If in 1960 it lagged behind them by 17%, in 2000 the gap reached almost 4 times (*tab. 2*).

According to the International Labor Organization (ILO) [3], labor the United States continues to lead in productivity at this stage. In 2006, the average American employee added to the value of a company \$63,885. In the second place with a considerable lead there is Ireland (\$55,986), the third is Luxembourg (\$55,641). Top five also includes Belgium (\$55,235) and France (\$54,609).

Productivity in Russia in 2006 amounted to \$15,563. Among the CIS countries it is in fourth place – after Armenia (\$22,763), Belarus (\$21,527) and Kazakhstan (\$18,688). Among European countries Russia in annual productivity gets ahead of only Serbia (\$10,519) and Macedonia (\$13,270). Such a situation makes impossible economic spurt.

However, the economic history of Russia shows that productivity growth can be uniquely high. And now the country has very good results. Thus, if the average productivity of labor in developed countries is growing in similar pace – 1.5 – 2% (in the US in 1980 – 2005 it added at the average by 1.7%, in France – 1.5%, in the UK – 2.1%, Germany – 1.4%, in Italy – 1.8%), then in Russia in 2000 – 2005 it increased annually by 5.9% [4]. However, to reach the strategic lines, this figure should be 2 times higher. Thus, the increase in productivity is a very important aim for all levels of the economy. Productivity is the base of long-term economic growth, ensuring competitiveness.

It is also recognized by Russia's leadership. As the President of Russia, Vladimir Putin, speaking at an enlarged meeting of 08.02.2008 of the State Council, told about the need to achieve by 2020 a fourfold growth in labor productivity in key sectors of the economy [5]. This indicator is chosen as a guideline in the draft Concept of long-term socio-economic development of Russia until 2020, prepared by the Ministry of Economic Development [6]. To address this extremely difficult task it will require 12 years to support the growth of labor productivity at 12% per year.

Labour productivity growth is a problem that has practical and theoretical relevance as well, due to insufficient attention to these issues in connection with the transition to a market economy.

Modern Dictionary of Economics defines the definition of “productivity” as an indicator of the efficiency of labour resource use, labor factor, which is measured by the amount

Table 2. A comparison of productivity growth in Russia and developed countries, thousand dollars per employee in prices and parity purchasing power in 2000 [2]

Indicator	Year of 1950	Year of 1960	Year of 1970	Year of 1980	Year of 1990	Year of 2000
Whole world	6.9	9.3	12.1	14.4	16.8	18.7
Developed countries	19.1	25.0	36.5	54.2	55.6	61.3
Russia	10.7	20.8	26.8	29.5	27.9	15.4
In % to the world	155	224	221	220	142	82
In % to developed countries	56	83	73	65	50	25

of production in kind or in cash, produced by one worker for a certain, fixed amount of time (hour, day, month, year) [7].

The term “productivity” was introduced in 1766 by A. Smith in studies on “The Nature and Causes of the Wealth of Nations” [8]. Making a distinction between productive and unproductive labor, Adam Smith argued that the volume of production and consumption of products is determined by the proportion of the population engaged in productive labor, and the level of productivity, which is closely linked with the division of labor.

Marxist theory considers labor productivity from the standpoint of the labor theory of value [9]. According to this theory production of any product involves two types of labor: the living labor spent by workers on the production of the product, and the past (embodied) labor that was spent at the previous stages of social production and is used in the manufacture of these products. The surplus product is created only by living labor. Means of production, representing embodied labor, do not create new value, since their value was created through the use of manpower, and simply transferred to the manufactured products. In accordance with it the performance belongs only to the living labor, and the only work of employees in the material sphere. According to Karl Marx, only their productive labor creates the necessary and surplus product, which are the source of maintenance of non-productive sphere.

The Soviet School of Economics continued Marx labor theory of value. Since 20 – 30-ies of XX century, productivity, along with indicators of the effectiveness of capital investments, became one of the main criteria for the effectiveness of social production.

With the proliferation of capital-intensive production, the economy problem of alive and embodied labor as well has become increasingly important. It is related to the new stage of development of productivity concepts in the 60-ies of XX century. This period includes the development of the Soviet Union and abroad

techniques of multifactor productivity measurement and factors of production.

The most common method of investigation of productivity attributed the performance to the properties only of living labor. In this position stood A.K. Gastev, E.I. Kapustin, D.N. Karpukhin, Y.N. Kvasha, E.L. Manevich and other economists stood for this position [10, 11, 12, 13, 14 and others]. Productivity expresses through the degree of fruitfulness (effectiveness) of purposeful activity of people in the production of material goods within a certain period of time.

L.P. Vladimirov [15] believes that the purpose of work is to obtain results, such as production of goods or services. For any employee or group fruitfulness of this result is important, i.e. number of products (services) per unit of time (hour, day, year). And the higher this result, the lower the cost per unit of outcome, including such as rent for the premises, electricity charges, etc. Consequently, at high labor productivity with increased production costs on it fall. Several authors (G.G. Melikyan, R.P. Kolosov, V.G. Kostakov) [16] define the concept of productivity in the narrow technical and general public concept. Productivity in a narrow technical concept is the ratio of output production to input resources. This indicator expresses the degree of efficiency of resource use. Productivity in the general public concept first of all is the mental tendency of people to a constant search for improvement opportunities of what that exists on the belief that people can work better today than yesterday, and tomorrow even better.

The special development to the theory of labor productivity was given in the United States and some European countries at the beginning of XX century. At this time there is a number of scientific and practical areas, among which the most significant contribution to the theory of labor productivity has been made by the research school of management (Frederick Taylor), administrative (“classical”) school in management (Anri Faiolle), the school of “human relations” (Elton Mayo) and others (*tab. 3*).

Table 3. Foreign scientific schools in the theory of labor productivity

School	Representatives	Contribution to the theory of labor productivity
Research school of management (1885 – 1920)	F. Winslow, F. Taylor, etc.	The necessity of selection of specific workers to perform a specific job (placing of personnel), the need of training of workers, retraining within the enterprise, and in third-party organizations. Rationalization of the work and its motivation
Administrative or classical school (1920 – 1950)	A. Faiolle, L. Urvik, M. Weber, H. Ford, L. Gyulik, D. Mooney, A. Sheldon, etc.	Specialists of this trend investigated the efficiency of the entire organization. This approach is in the regulation, improvement of labor and a tightening of labor discipline
School of human relations (1930 – 1950)	M. Follett, D. Mayo, A. Maslow, C. Argyris, R. Likert, D. MacGregor, F. Herzberg, etc.	Representatives of this school had a lot of research and experiments on the motivation of people, the nature of power, leadership, quality of working life, etc. The main goal is the improving of the effectiveness of the organization by the growth of effectiveness of human resources, fully utilizing the potential of each employee

Thus, the issue of productivity in the economic literature is given much attention. This is due to the special value of productivity for any economic system: the higher the productivity, the more qualified is the economic potential of the country, the richer the society, the higher the level of welfare.

Labor productivity, as a complex economic category, is measured by several indicators, located to each other in certain respects and relations. The most common and universal indicators is production. The basis of this indicator is the ratio of the volume, the values of benefits from the use of an appropriate quantity of labor. Depending on the unit of measuring output it can be marked out, at least three methods of measuring productivity: natural, labor and cost, and their varieties (*tab. 4*).

Natural method of measuring productivity characterizes the production of goods in kind in a unit of time. This method is used in enterprises in the production of similar products, but also in relation to the workplace, team or section. A variety of natural method is *conventional and natural method of measuring productivity*. With this method different kinds of products are equal to one predominant. Present value interest factor are calculated by labour-intensiveness.

When issuing a diverse and frequently changing products for determining the volume of production and output the labor method are used for calculating labor productivity. The volume of production by this method is measured in constant standard-hours. Using of the labor method is possible only on certain jobs, areas, but not in the company as a whole.

Table 4. Methods of measuring labour productivity

Name of the method	Description of the method	Application
Natural method	The most simple and reliable method. The application is due to release of a homogeneous product (monoproduction). An additional difficulty may be a record of changes in volumes of unfinished production	It can be widely used at the workplace and units. At the company level its use is limited
Conditional-natural	Variety of the first method. Monoproduction of group of homogeneous products (petroleum, metallurgy, food, etc.)	The efficiency of using is limited by types of businesses, specializing in the sales of one purpose product which differ on any grounds
Cost method	Final output is measured in monetary terms. The most common and affordable method	This method is universal for all types of businesses, especially if the calculation is conducted in USD
Labor method a) through standard hours	a) The volume of output is measured in constant standard hours	a) The method may be used only in a well-functioning regulatory framework
6) through labour-intensiveness of product	6) Calculated as follows: in the numerator of the fraction – the amount of actual labor costs of stuff, in the denominator – the volume of production for the period	6) This figure has always been and is widespread in developed countries

However, the natural and cost methods are used to calculate productivity in the enterprise. The most universal for measuring productivity is a cost method. It allows comparing the level and dynamics of productivity in the enterprise, industry, region, country. With this method volume of production is measured by the gross, product, sales indicators.

As for cross-country comparison, the International Labor Organization (ILO) calculates productivity as gross domestic product (GDP) at constant prices per person employed in the economy.

Addressing the growth of labor productivity is the most important task of all Russian regions. The complexity of this task requires the identification of factors affecting productivity.

Ongoing studies show that labor productivity in the region depends on several factors, both external and internal (*fig. 1*).

Among the external factors the most important are: general economic and political situation in the country, a set of legal documents regulating relations in any industry, targeted programs aimed at improving the competitiveness and product quality, socio-demographic situation in the country, level of education etc. External factors are the base for the active manifestation of internal factors that can have a direct impact on the level and dynamics of change in labor productivity in the region, industries and enterprises. Factors of internal environment are controlled, influencing on them, you can manage the productivity of labor in the region.

Figure 1. Factors influencing labour productivity in the region

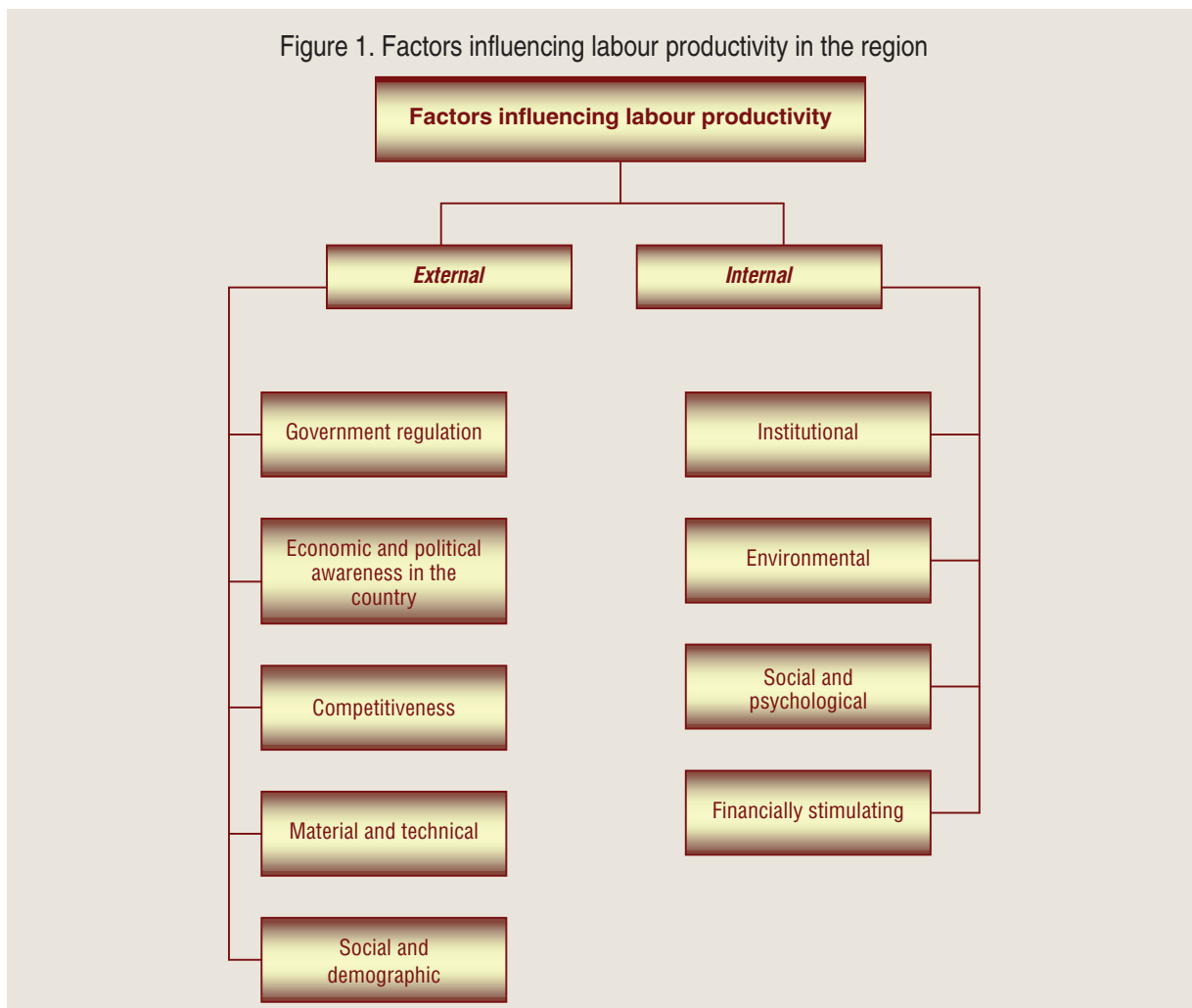


Table 5. The gross regional product of the regions of North-West federal district, thousand rubles per capita (current prices)

Region	2000	2001	2002	2003	2004	2005	2006	2007	2007 to 2000, %
Republic of Komi	56.6	75.5	84.1	106.0	131.4	174.6	223.0	249.6	441.0
St. Petersburg	39.8	53.5	72.1	88.3	117.6	145.5	180.3	242.8	610.1
Murmansk region	59.2	63.0	76.2	91.1	142.6	163.3	183.7	225.0	380.1
Arkhangelsk region	44.8	49.5	62.0	78.4	108.7	131.3	167.9	224.8	501.8
Vologda region	53.4	50.9	63.4	85.3	129.0	157.1	164.0	199.1	372.8
Leningrad region	33.3	45.2	56.7	72.9	100.5	128.7	161.7	191.0	573.6
Kaliningrad region	24.3	33.8	42.0	49.1	70.3	85.7	109.9	155.7	640.7
Republic of Karelia	38.5	46.5	57.6	65.4	76.4	109.0	121.1	151.2	392.7
Novgorod region	29.3	39.0	45.2	55.4	72.6	91.0	113.3	133.7	456.3
Pskov region	20.5	25.0	31.5	39.2	48.3	56.1	71.6	89.0	434.1
NWFD in general	40.6	50.2	63.3	78.5	107.0	133.0	161.8	206.2	507.9
RF (reference)	39.5	49.5	60.6	74.9	97.9	125.8	157.9	198.8	503.3

Table 6. Labour productivity in comparable prices of 2007, thousand rubles

Region	2000	2001	2002	2003	2004	2005	2006	2007	2007 to 2000, times	Average annual growth rate, %
Republic of Karelia	216.3	225.3	239.2	236.0	244.0	262.9	273.6	295.8	1.4	104.6
Republic of Komi	411.7	438.0	425.4	437.3	455.1	472.0	512.0	509.2	1.2	103.1
Arkhangelsk region	260.7	272.7	273.5	295.6	364.4	396.5	413.1	461.6	1.8	108.5
Vologda region	284.3	289.5	296.3	312.3	353.0	365.7	380.3	397.5	1.4	104.9
Kaliningrad region	177.3	184.8	200.0	214.1	231.5	236.2	261.8	306.6	1.7	108.1
Leningrad region	216.8	233.3	270.2	305.9	328.7	358.8	395.3	417.3	1.9	109.8
Murmansk region	395.3	401.1	390.1	391.0	400.9	410.7	421.8	432.8	1.1	101.3
Novgorod region	199.0	224.6	221.4	230.1	244.2	254.2	267.3	279.2	1.4	105.0
Pskov region	149.1	151.0	160.4	163.8	167.7	169.3	178.8	189.0	1.3	103.5
Saint Petersburg	245.6	255.5	298.4	324.0	346.3	373.2	401.1	448.5	1.8	109.0
NWFD in general	254.9	266.4	287.9	307.0	331.9	352.5	376.1	406.8	1.6	106.9
RF (reference)	268.5	282.6	295.5	316.0	337.1	360.7	388.4	415.4	1.6	106.4

Consider the problem of productivity in relation to the economy of North-West federal district. During the period from 2000 subjects in the regions of the District gross regional product per capita in current prices increased by an average of 5 times. In 2007 this indicator was leading the Komi Republic, Saint Petersburg, Murmansk and Arkhangelsk oblasts (*tab. 5*).

However, the calculations of labor productivity on methodology of ILO showed that during the period from 2000 to 2007 productivity growth in comparative prices in the regions of the district differed substantially (*tab. 6*). Only Leningrad, Kaliningrad and Arkhangelsk oblasts and St. Petersburg have provided superior to the average for the District of productivity

growth, sufficient to meet fixed in the concept of long-term socio-economic development of the country's strategic objectives.

As you know, one of the factors of economic growth is to draw integration an increasing number of employees into the economy. During the period 2000 – 2007 the number of employees in the regions of NWFD grew by 4%. In the Kaliningrad region has been a significant increase in the number of employees (more than 15%). However, economic growth in all regions of NWFD is ensured at the expense of labour productivity (*tab. 7*).

Consequently in most regions the increase in the production indicators of GRP was influenced by factors increasing the efficiency of labor.

Table 7. The growth rate of labor productivity in the subjects of NWFED 2007 *
 (volume of GDP in 2007 prices per person employed in the economy)
 The contribution of labor productivity and employment in the economy in the region's economic growth
 (percent increase of GRP for the period)

Gross Regional Product, mln. rubles		Growth rate, %	Regional average annual number of employed people in the economy, thousand persons		Growth rate, %	Labor productivity, thousand rubles		Growth rate, %	Contribution to the growth of the regional GRP, %	
2000	2007		2000	2007		2000	2007		labor productivity	employment in the economy
Russian Federation										
17323992.35	28254 787.50	163.10	64516.6	68019.2	105.43	268.52	415.39	154.70	91.40	8.60
North-West federal district										
1684746.419	2 788 330.60	165.50	6609.6	6854.2	103.70	254.89	406.81	159.60	94.35	5.65
Republic of Karelia										
74213.69976	104 622.90	140.98	343.1	353.7	103.09	216.30	295.80	136.75	92.46	7.54
Republic of Komi										
189342.7306	242 430.90	128.04	459.9	476.1	103.52	411.70	509.20	123.68	87.44	12.56
Arkhangelsk region										
154964.9239	286 861.90	185.11	594.4	621.4	104.54	260.71	461.64	177.07	94.66	5.34
Vologda region										
177001.103	243 947.60	137.82	622.6	613.7	98.57	284.29	397.50	139.82	103.78	-3.78
Kaliningrad region										
73258.15756	145 920.60	199.19	413.2	475.9	115.17	177.29	306.62	172.94	84.70	15.30
Leningrad region										
154084.2275	312 405.00	202.75	710.6	748.7	105.36	216.84	417.26	192.43	94.78	5.22
Murmansk region										
171123.9974	192 176.60	112.30	432.9	444	102.56	395.30	432.83	109.49	79.16	20.84
Novgorod region										
63303.58392	87 560.00	138.32	318.1	313.6	98.59	199.01	279.21	140.30	103.69	-3.69
Pskov region										
49354.10161	63 107.70	127.87	331.1	333.9	100.85	149.06	189.00	126.79	96.97	3.03
St. Petersburg										
585517.2801	1 109 297.40	189.46	2383.7	2473.4	103.76	245.63	448.49	182.59	95.79	4.21
* The contribution of labour productivity and employment in the economy in growth of gross regional product of NWFED regions was calculated as the ratio of growth in gross regional product at the expense of labour productivity and employment in the economy in absolute terms to the total change in GRP.										

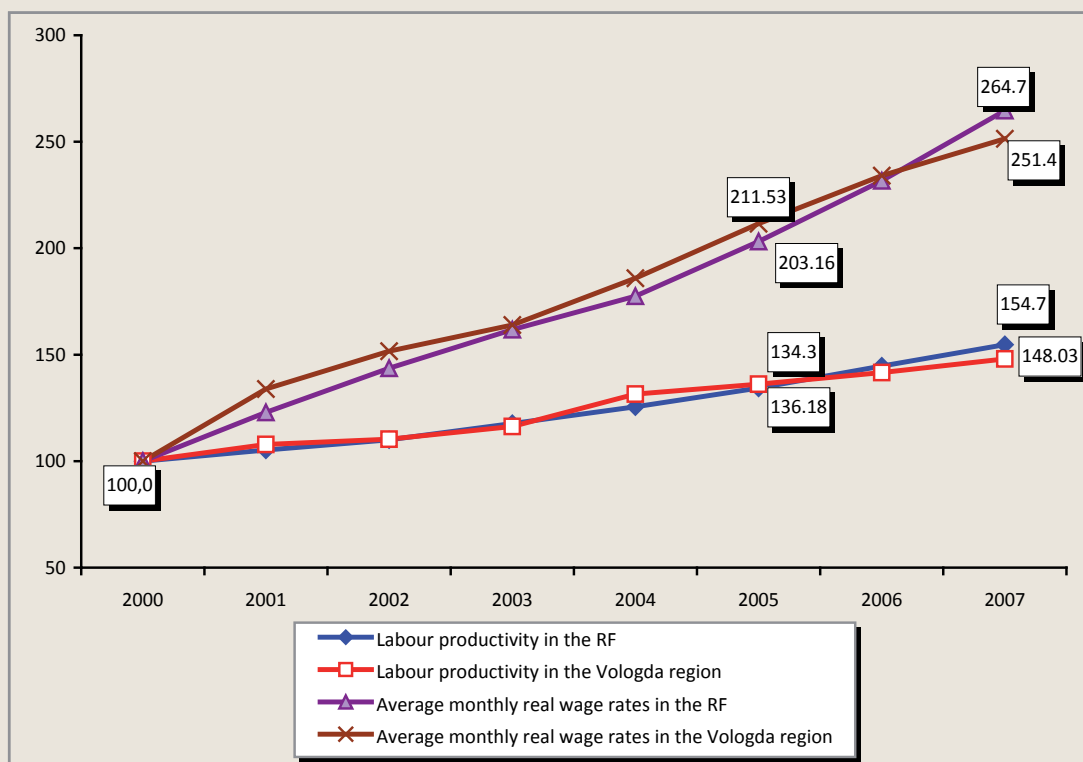
Wages has significant impact on productivity. In a survey carried out by VSCC CEMI RAS² the majority of managers of industrial enterprises in the region among the factors affecting the productivity of labor ranked first staff skills, moral and material incentives (76.4%).

In addition, the ratio of wages and produc-

² The survey was carried out in March – April of 2000 among the managers of industrial enterprises of mainline production in the Vologda region within research work “Monitoring of functioning and forecasting of structural rebuilding of the Vologda region industry in terms of globalization”.

tivity is one of the main indicators of the balance of the economy. Forward-looking growth of labor productivity relative to wages means the presence of funding of expanded reproduction in the economic sectors. In the Vologda oblast, as in Russia as a whole, the situation is reversed – wages are increasing faster than productivity. Thus, for the period 2000 – 2007 average real wages in the Vologda oblast have grown by 2.5 times, while labor productivity – by 1.5 times (fig. 2), indicating a narrowing of the sources of economic development.

Figure 2. The dynamics of labor productivity and average monthly real wage rates, in% to 2000



Investment is another factor of labour productivity growth. In regions of NWFD during the analyzed period, they have grown very substantially as a whole in regions (*tab. 8*) and in a number of industries as well.

For example, in the forest complex of the Vologda Oblast because of significant invest-

ments (between 2000 and 2006 they increased almost twice), labor productivity increased by an average of 14%, and woodworking – by 36%. At the same time, employment in industry decreased by 23.6%. The infusion of substantial funds in the modernization of production on the technical weapons program, upgrade park

Table 8. Investment in fixed assets per capita, thousand rubles

Region	2000	2001	2002	2003	2004	2005	2006	2007	2007 to 2000, times
Arkhangelsk region	7.6	11.2	17.9	21.7	25.0	37.0	65.5	95.7	12.6
Leningrad region	11.5	19.3	16.9	29.9	41.5	50.4	74.8	78.5	6.8
Republic of Komi	16.4	21.1	21.7	25.3	34.6	51.2	76.3	64.3	3.9
St. Petersburg	7.6	11.3	16.3	24.2	25.6	34.2	38.9	65.0	8.6
Kaliningrad region	4.8	6.0	8.1	14.4	20.9	31.9	35.4	45.1	9.4
Vologda region	6.7	8.1	11.0	14.5	34.6	49.1	49.6	61.1	9.1
Murmansk region	7.8	11.8	11.2	15.0	17.0	23.1	28.6	30.5	3.9
Novgorod region	6.7	11.3	7.2	13.1	13.0	21.0	28.7	33.3	5.0
Republic of Karelia	8.8	11.6	12.9	14.1	19.5	21.9	24.8	26.9	3.1
Pskov region	3.1	3.6	4.1	7.5	8.0	7.7	10.5	16.8	5.4
North-West federal district	8.2	11.9	14.3	20.6	26.2	35.5	45.8	59.6	7.3
Russian Federation	8.0	10.3	12.2	15.2	20.0	25.3	32.2	46.7	5.8

equipment of chemical industry enterprise JSC “Ammofos” here provides a steady increase in productivity and a leadership among Russian producers of phosphate fertilizers. The introduction of new technologies and constant improvement of products allowed JSC “Vologda plant of constructions and road machines” within 5 years (from 2004 to 2008.) increased labour productivity by more than 2-fold: from 632 to 1,746 rubles per a worker per year.

However, investments in technical upgrading of enterprises are insufficient. According to statistics, [17, 18], in the Vologda oblast from the total inward investment in manufacturing activities to upgrade machinery and equipment in 2007 only 1.2% was directed, electronic and optical equipment – 0.1%, transport vehicles and equipment – 0.017%. The bulk of investment (respectively 33 and 43%) went to the chemical and metallurgical production.

The depreciation of fixed industrial assets, depreciated equipment and technology using is the main reason for a low level of labour productivity in the domestic industry. According to statistics, a technological resource base of

Russia's economy reached the end of its service life more than 45% and has reached a critical level. In the Vologda region in 2007, this figure was 38.5%. Much worse things are in such industries as pulp and paper, textiles and clothing, machinery and equipment, chemical.

According to an annual survey of managers of industrial enterprises of the region carried out by VSCC CEMI RAS, depreciation of fixed assets is significantly higher – more than 55% in 2007. Depreciated equipment and technologies rise low productivity and inefficient use of raw materials and energy and, consequently, lack of competitiveness of production and the economy as a whole.

The high correlation of labour productivity with a measure of electric power shows the importance of this factor on the growth of labor productivity. Improving electric power is essential to accelerate scientific and technological progress, complex mechanization and automation of labor, and, consequently, the condition for the growth of labor productivity. In the Vologda oblast for the period from 2000 – 2007 the greatest growth of electric power

Table 9. Labor productivity in manufacturing activities by economic activities
(million rubles per an employee in production per year)

Economic activities	Territory	2005	2006	2007	2007 to 2005, %
Metallurgy and manufacturing of finished metal articles	Vologda region	3.83	3.97	5.03	1.31
	Russia	1.56	1.66	1.97	1.26
Chemical production	Vologda region	2.35	2.13	2.4	1.02
	Russia	1.19	1.24	1.45	1.21
Manufacturing of other nonmetallic mineral products	Vologda region	0.91	0.79	0.89	0.97
	Russia	0.66	0.74	0.81	1.22
Manufacturing of food products, including beverages	Vologda region	0.90	0.93	0.85	0.94
	Russia	1.03	1.11	1.13	1.09
Woodworking and production of wood products	Vologda region	0.52	0.60	0.66	1.26
	Russia	0.41	0.39	0.49	1.19
Machinery and equipment manufacturing	Vologda region	0.40	0.46	0.60	1.50
	Russia	0.40	0.49	0.58	1.45
Production of vehicles and equipment	Vologda region	0.25	0.23	0.38	1.52
	Russia	0.69	0.83	0.96	1.39
Pulp and paper production, publishing and printing activities	Vologda region	0.43	0.34	0.36	0.84
	Russia	0.80	0.91	1.04	1.30
Production of electrical, electronic and optical equipment	Vologda region	0.27	0.14	0.33	1.22
	Russia	0.51	0.60	0.73	1.43
Textile and clothing manufacturing	Vologda region	0.12	0.16	0.13	1.08
	Russia	0.20	0.27	0.28	1.40

is marked in the major industrial factories in the Oblast: metallurgical, chemical and mechanical engineering, and, as a consequence, productivity growth in these industries (*tab. 9*).

The most significant productivity gains are made where technological and organizational innovation is actively carried out. Unfortunately, the innovative activity of enterprises is still low (*tab. 10*).

Factors impeding innovation, according to business leaders, is the lack of funds and qualified personnel. The problem of staffing is particularly acute. In the real sector of the region there is a shortage of highly skilled workers, engineers, technicians and managers who are able to reverse the crisis in troubled industries. In 2007 it was noted by 49% of polled executives.

Correlated and regression analysis confirmed the influence of the above factors on productivity.

As a result of the calculations the matrix of correlation coefficients was formed (*tab. 11*), which reflects the closeness of the relationship between changes in the level of productivity and such indicators as:

- number of people employed in industrial production – a factor which characterizes the availability of labor resources;
- residual value of fixed assets – a factor that reflects the economic potential of the en-

tity that creates the preconditions for increasing the volume of production;

- depreciation of fixed assets – a factor that reflects the causes of production downtime, failure to comply with the safety of human life, the causes of low quality products;

- fixed investment – a factor and a necessary condition for economic development, which is the aggregate cost to the development, reproduction and purchase of fixed background;

- average real wages of workers – a factor motivating employees;

- electric power mechanization – a factor that reflects the level of mechanization and automation of labor;

- capital-labor ratio – a factor that shows the provision of workers with means of labor.

Correlation analysis has revealed that the rise in labor productivity in industry in the region depends on positive changes in the state of production and technical base of industrial enterprises, increasing of wages and reducing of employment.

Thus, the main reserve of productivity growth at the present stage is the intensification of production, which is to reduce labor costs and the cost of materials and energy per unit of production, improving the use of technology in transport capacity, economical cost and investment of resources, staff with motivation

Table 10. The level of innovation activity of organizations of the Vologda region, % *

Industrial production	2002	2007
Total	14.0	8.3
Manufacturing activities	16.0	9.5
Among them:		
- manufacturing of food products, including beverages	29.0	10.0
- textile and clothing industry	10.0	18.2
- woodworking and production of wood products	5.0	4.5
- pulp and paper production, publishing and printing activities	–	2.9
- chemical industry	40.0	16.7
- manufacturing of other nonmetallic mineral products	21.0	8.3
- Metallurgy and manufacturing of finished metal articles	38.0	15.0
- production of vehicles and equipment	27.0	10.5
Production and distribution of electricity, gas and water	4.0	5.9
* Without small businesses.		

Table 11. The relationship of factors and productivity in the sectors of industry of the Vologda region

Factor	Labour productivity					
	Industry in whole	In sectors				
		metallurgical	chemical	machine building	food	textile
Residual value of fixed assets	0.97	0.97	0.79	0.30	0.96	0.44
Average real wages	0.93	0.82	0.77	0.96	0.79	0.35
Electric power consumption	0.92	0.64	0.73	0.79	0.61	0.76
Capital	0.87	0.79	0.64	0.70	0.81	0.66
Investment in fixed assets	0.84	0.69	0.28	0.82	0.42	0.32
The number of employed in the industry	- 0.62	- 0.95	- 0.42	- 0.91	0.31	- 0.38
Depreciation of fixed assets	- 0.34	- 0.91	- 0.54	- 0.85	- 0.73	0.30

According to the Chaddock scale relationship between factors is assessed as weak (0.1 – 0.34), moderate (0.35 – 0.55), visible (0.56 – 0.77), high (0.78 – 0.98) and very high (0.99 – 1.0).

to by nonfinancial factors. Today in the Vologda oblast has a substantial reserve of productivity growth and the intensification of the use of all factors of production in industries such as real economy and non-material production.

More than half of the managers of industrial enterprises of the Vologda region in the survey pointed out that the level of labor productivity in 2008 compared to 2007 remained unchanged. And enterprises productivity increased by only 36.4%.

In order to increase productivity in the enterprises of the region there is a number of activities. Thus, 72.2% of industrial enterprises in the region use incentives and motivation for staff, which includes monetary incentives (prizes, bonuses, profit sharing), moral (public recognition, empowerment, participation in decision-making, improved working conditions), additional incentives (paid transport expenses, paid corporate travels, providing with work clothes, providing with interest-free loans, etc.).

63% of enterprises achieve productivity increase through skills development, 51.9% – the technological upgrading of equipment, 22.2% – the introduction of energy-saving technologies, 16.7% – introduction of innovative developments.

Another source of labor productivity increase is the use of information and communication technologies (ICTs). As the results

of many studies, information technologies, especially knowledge (intellectual capital), in developed countries have really become a very significant factor of economic growth. For example, the significant (an average of 2.5% per year) stable growth of labor productivity in the US in the second half of 1990 was caused precisely by massive investments in information and communication technologies, as well as government support for the Internet. Through the introduction of ICT high rates of productivity was achieved by countries such as Finland, Ireland, Sweden, Canada, Australia [19].

According to Russia's statistics [20] in 2007 in the North-West federal district ICT was used by more than 90% of surveyed firms (*tab. 12*). However, taking into account the fact that a large portion of them is limited by the automation of engineering work and accounting operations, we can say that there is significant potential to improve productivity.

In addition to the considered factors the important ones are in improving productivity are more efficient use of human capital, improving the organization of labor, production and management, as well as structural changes in production.

One of the solutions to this problem is the formation of industrial clusters [21]. Thus, the Vologda oblast has the great potential for joining of efforts of metallurgical, engineering and other companies working with metal, i.e.

Table 12. The number of organizations that use information and communication technologies

Regions	2005			2007		
	Number of surveyed organizations, units	Those which use ICT		Number of surveyed organizations	Those which use ICT	
		units	%		units	%
Novgorod region	1064	1058	99.4	1124	1124	100.0
Republic of Karelia	605	605	100	716	710	99.2
St. Petersburg	3756	3568	95.0	3899	3809	97.7
Murmansk region	1572	1489	94.7	1650	1608	97.5
Leningrad region	1641	1541	93.9	1848	1780	96.3
Arkhangelsk region	1496	1428	95.5	1781	1696	95.2
Kaliningrad region	1396	1285	92.0	1479	1389	93.9
Pskov region	1422	1258	88.5	1518	1409	92.8
Vologda region	2083	1807	86.7	2393	2214	92.5
Republic of Komi	1138	1070	94.0	2221	1835	82.6

Source: Regions of the North-West federal district. Social and economic indicators. Statistical digest. 2008: stat. coll. / Vologdastat. – Vologda, 2008. – Pp. 147.

a cluster “Metallurgy – Metal”. Its base can be the machine-building enterprises, public corporation Severstal, the enterprises of industrial park in Sheksna, as well as objects of innovation infrastructure.

Formation of vertically integrated structures, the leading role in the formation of which should belong to the state, will also help to overcome the de-industrialization of Russia's economy and ensure a fourfold increase in labor productivity [22].

In addition, there is an urgent need to develop state of the federal and regional programs to

improve productivity, which should include targets for the development and implementation of practical measures to increase productivity, scientific and methodological support for their implementation, informational reinforcement of the total activities, advice on production accounting, compilation of statistical data [23].

Thus, the solution of strategic objectives of labour productivity growth requires activation of the human factor, rise of educational and vocational level of employees; improving of the training and retraining of workers and specialists in accordance with new requirements.

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The system of goods promotion as a factor of engineering production development

The article describes the specifics of marketing of engineering products for industry. A systematic approach to the formation of products promotion on the market and parametric (model) series as a promotional tool are proposed. On the example of Vologda enterprise it is shown that constructive stock keeping policies aimed at creating versions of products throughout their life cycle facilitates the successful marketing and is a factor in increasing production efficiency.

Sales promotion system, marketing of engineering products for production purposes, modification of production, and parametric (model) series, the assortment policy, the life cycle of goods.



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In the first half of XX century the focus of a commercial organization was the production – its effectiveness, improving equipment and technology. In the past few decades in organizations the movement of focus on the consumer is observed – finding and forming their needs, creating a relationship with them. In practice, the transition from the industrial paradigm to the consumer is reflected in the change of moving goods from producer to consumer. The concept of such organizations emerged in the mid 1950's and gradually became the basis of corporate culture. A brief formulation of the concept is: to create something that is valued by consumers, which can meet their current and future needs [1].

By F. Kotler's definition, promoting a product means a series of activities to bring the information about the goods, which includes advertising, sales promotion, personal selling and public opinion, it is the most important part of the complex marketing activities, information access to consumers. The main function of promotion is to send information about a product, familiarity with the potential buyer, the conviction of the need to purchase.

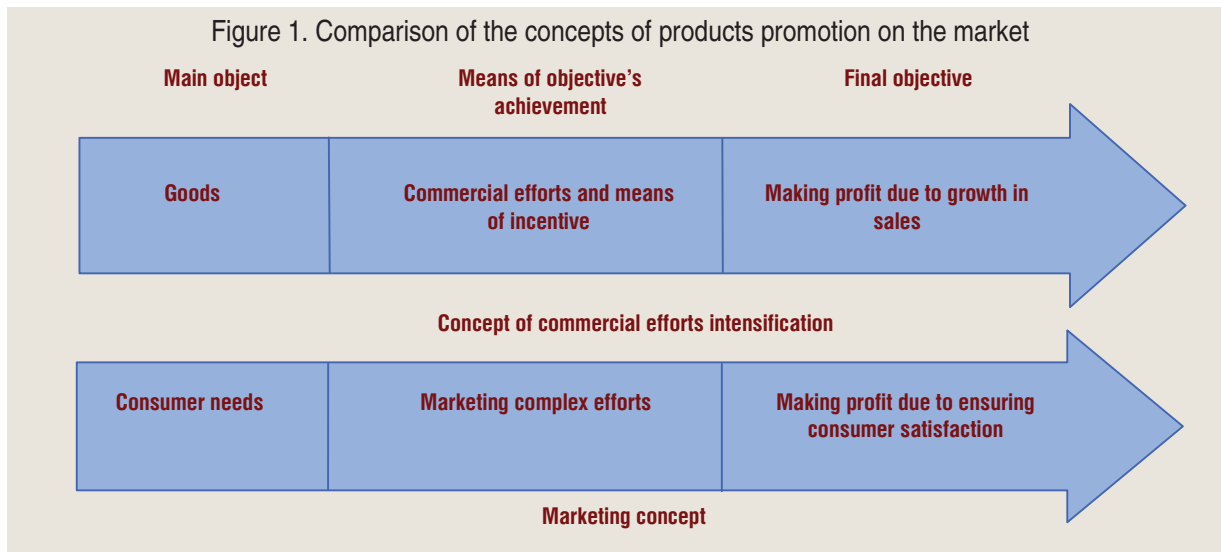
Promotion is different from usual data messages in interest in the final result – increased demand for goods.

In practice, when promoting the product to market, industrial organizations use the strategy of “push” and “pull” [2].

The strategy of “push” includes activities addressed only to the distribution system representatives in order to invite them to “bring” the product up to the final consumer. The object of “push” is the company's existing products and to ensure profitable sales requires intense effort and incentives.

The strategy of “pull” involves targeting a product to the consumer, which, after a certain action by the manufacturer, contacts the manufacturer directly or through distribution channels to meet their needs in the most effective ways.

The essential difference between the two diametrically opposite approaches to the promotion of products lies in the fact that the strategy of “push” is aimed at promoting traditional products of the company which have already been manufactured and are on the market and the strategy of “pull” is focused on needs



and potential demand research, and creating product diversity on this basis. In this case the goods do not need to be pushed; the consumer will be “pulling” the product you need out of the production (*fig. 1*).

Comparison of the two concepts of the goods promotion leads to the assertion that the strategy of “pull” is the essence of the marketing concept that reflects the company's commitment to the theory of consumer sovereignty: to produce what consumers need and make a profit by maximizing the satisfaction of their needs.

Marketing of engineering products for industrial and technical purposes is complicated by its distinction from the marketing of the end product of individual consumption by characteristics of formation and development of demand for these products.

The first feature is the hard-deterministic nature of the demand for higher requirements to the quality of machinery and equipment that are purchased strictly for their intended purpose and for the manufacture of certain products. Rigidity of technical requirements from customers creates dependency and long-term relationship of the seller and consumer. For example, industrial consumers are turning to suppliers of machinery and equipment, when it comes to embedding machine to an existing material flow, adapting it to the specific needs

of production. Refusal to cooperate with the supplier of machines forces final producers to find alternatives to the original materials, change the production technology, and this is a lengthy process. Thus, the determination of the demand for machines generates inelasticity of demand, especially since the choice of suppliers of goods targeted for production purposes is relatively small.

The second feature lies in the “secondary” character, demand for industrial goods: the demand for goods for production and technical purposes does not occur by itself, but as a consequence of demand for final products. There is a need to take into account two areas of market relations: about the products for production purposes, and at the final consumption goods. This makes manufacturers of machinery and equipment to study the demand imposed by finite, individual consumers. For example, manufacturers of sawmill equipment for the successful promotion of equipment on the market must study not only the demand for sawn wood, but the final product: the wooden houses, furniture and other products of individual consumption.

The third feature of the machines marketing is a relatively limited capacity of the market of goods for production and technical purposes to which machines are relevant. Their consumers can be either a certain branch of industry

or group of enterprises with a narrow specialization. Fewer number of consumers leads to greater buyers' power in the market that ultimately determines the machines supply.

The fourth feature is currently prevailing tendency to increase direct purchases of machinery and equipment, focusing on the specific production situation and the individual orders of special equipment. Thus, the consumers of machinery and equipment have the following manufacturing situations:

- ▶ low technical level of existing equipment does not provide the required level of product quality;
- ▶ depreciation of equipment leads to increased operating costs, increased downtime, reduced productivity;
- ▶ the existing equipment does not provide the full range of incoming orders;
- ▶ full wear of certain items of technological lines requires an equivalent replacement for incorporation into existing technological flux.

It seems that the complexity of the machine marketing can be overcome through constructive marketing policy, and, in particular, through the organization of products promotion on the market.

The basis for the organization of engineering products promoting to the market, in our view, must be a systematic approach as the methodology of scientific analysis and thinking, which directs the researcher to disclose the integrity of the object, to identify the diverse types of bonds in it and bringing them into a single theoretical picture. Accordingly, the essence of a systematic approach to the promotion of products on the market lies in the notion of promoting as a system of action. System approach to the organization of products promotion on the market allows for technology advancement in the form approved at the manufacturer's procedures. Documented procedures reduce or completely eliminate subjectivity peculiar to processes involving people, and reduce the risks associated with the departure of key staff, and consequently the loss of contact with

consumers. Documented procedure combines the technological instructions for individual executives and can provide in general terms the sequence and content of the cycle of actions of the goods promotion:

- identifying customer needs;
- demonstrating the possibilities of the product modifications;
- formation of a technical proposal;
- developing terms of reference for the modification;
- addition of product line of and sales catalogue.

Promotion of products is a two-way process including at least two members: the sales manager of the manufacturer of equipment and the consumer (industrial customer). Therefore, the starting point of a promotion system is the study of potential consumers and their demand.

Potential consumer of machines, an industrial buyer, is qualified in commercial and technological field, knows the market conditions, supply of alternative providers and their competitive advantage. For example, buyers of large equipment put conditions of sale based on the characteristics of its "economic life" in certain conditions, which include:

- completeness, delivery and installation terms;
- terms and conditions of warranty;
- providing technological equipment, design and production management automated systems;
- participation in the development process;
- organization of service and post-services;
- organization of products certification, including compliance with international standards.

Competent buyers of machinery and equipment require not only a professional service, but approach to the individualization of their problems. However, the practice of interaction between supplier and buyer in the sale of new technology shows that the buyer, showing the technical requirements, primarily aimed at the quality – reliability, performance, ergonomics,

design, and safety of operation – do not always fully understand what they want. Therefore the interaction of producer and consumer of equipment should begin early in the development of new technology, so that to make necessary adjustments to the specification and implement the optimal design solution for the consumer.

The practice of interaction between machine manufacturer and the potential buyer helps create original parametric series. The parameter series is the group of structurally and (or) a technologically homogeneous products, characterized by belonging to one type of product, having the same functional purpose of satisfying the same need, containing the same set of basic parameters of production and different individual characteristics. The parametric series may include modification of products, which are the development of a certain number of previously mastered items, new performance within that series or its continuation.

Original parametric series can be made up on the basic model of engineering products originally put in production. On the basis of information data and practice interactions with customers as their preferences enhance the development of new versions of products, modifications, begins. This, in turn, stimulates the appearance of new customers and further increase of information. Work on the creation of new versions of products will be more successful in the case of a continuing examination of the technological capabilities of competitors' equipment in the domestic market and the analysis of world engineering

experience. Supplemented by the necessary information on pricing, delivery terms, service and other data source the parametric series generates a range (model series) and, together with the sales catalogue becomes a marketing tool when promoting products on the market, serving as a trigger for modifications of interest from potential customers.

Thus, products promotion and the formation of range is a single continuous process that continues throughout the product life-cycle, beginning from the conception of its creation and ending with the withdrawal from the commodity program. The range becomes the embodiment of the product's evolutionary development, its material capacities and simultaneously specific needs.

At Vologda enterprise JSC "Trans-Alfa" based on international experience and own engineering development for 11 years, two basic models of trolleybuses, initiating the formation of model lines were developed and utilized in the production (*table*).

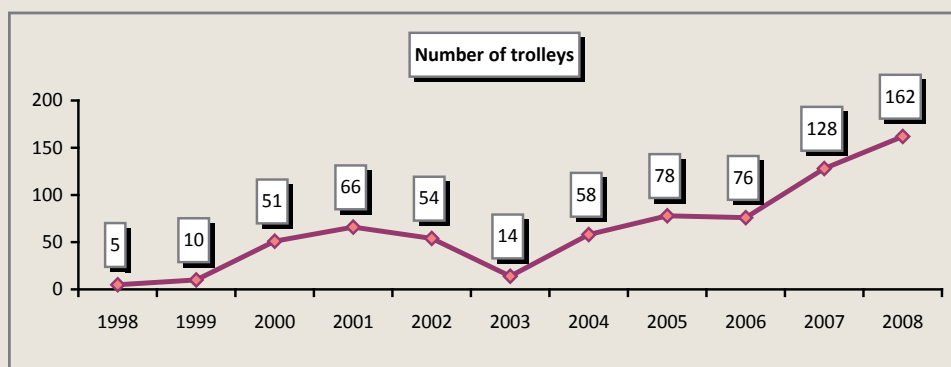
Model series demonstrates the diversity of trolleys' consumer properties allowing using public transport in specific conditions. For example, the low cabin floor allows you to equip it with a folding platform for the transportation of persons with disabilities; articulated salons increase trolleybuses' capacity, electronic control system enables the autonomous movement and energy saving.

The variety of consumer properties makes a demand of the trolley on the market, moreover, the company can become the initiator of the

Example of trolleys' model series formation

Basic model	Design №	5298	6215
	Characteristics	Trolley with high-floor	Articulated high-floor
Modifications	Design №	5298-01	62151
	Characteristics	Trolley with low-floor	Articulated low-floor
	Design №	...	...
	Characteristics	...	...
Source: data from the official site of JSC "Trans-Alfa" [Electronic resource]. – Access mode: www.vbf.ru			

Figure 2. Trolley's physical sales, units



transaction and on this basis to establish reasonable prices and increased sales volumes (*fig. 2*).

The statistics reflect the high rate of growth in sales and are evidence of the dynamic development of companies able to implement technological innovations on the basis of constructive assortment policy. Product promotion on the market is facilitated due to the fact that the basis of offering goods is mass-produced basic model technologically developed in industry.

Range of products formed in a model series serves as a carrier of information about the product, is a major tool of product promotion on the market, thus providing it benefits, and contributes to successful marketing.

Thus, a systematic approach to product promotion on the market stimulates the development of the product range of engineering companies, promotes economic efficiency and becomes one of the ways to overcome the technological gap with the industry.

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REGIONAL ECONOMY

Problems and directions of perfection of local government

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Budget provision of municipal entities in the Vologda region: state, problems and improvement ways

The article is a continuation of a series of studies on the problems of sustainable development of regional socio-economic systems. The main results of the analysis of the budgetary provision of municipal entities of the Vologda region in the period from 2004 to 2009 are presented. Factors affecting the state of the budgetary provision are identified; options to improve its level are shown.

Budget provision, local government reform, revenue base of municipalities, inter-governmental relations, development of municipal finance.



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The problem of sustainable development does not lose its relevance and urgency for many decades. Its theoretical and methodological aspects are reflected in a number of publications of the authors [6, 7, 8 and others].

In practice, the principles of sustainable development of territories are implemented, if there is a strong socio-economic mechanism that ensures long-term balance between nature and society, between the living standards and quality of life, i. e., when there is not only improving and maintaining the level of

real consumption, but also accessibility and high quality of educational systems, health, employment, social protection, etc. [9]. This, in turn, can be achieved by enhancing the internal financial sources in the region, which primarily include:

- budgetary funds;
- extra budgetary funds;
- means of credit and banking institutions;
- funds of insurance companies;
- funds of enterprises and organizations;
- funds of the population.

It is obvious that the leading role in this process belongs to the budgetary resources, an important characteristic of which is budgetary provision, which is understood as the amount raised in the budget system resources allocated for state and municipal services and obligations provided in the region in per capita terms.

However, one of the adverse effects of market reforms on the economy of Russia was the growing problem of asymmetry of regional economic development. The imbalance of economic development had its impact on the budget sphere, a problem of scarcity of financial resources appeared, which is particularly acute at the level of local budgets. The consequence of this situation was a disparity in the budgetary provision of municipal formations, which means different financial capabilities of local governments to implement effectively its constitutional powers in order to meet the needs of the local community in goods and services.

Budget provision of municipal formations in the Vologda region is significantly differentiated by the existing structure of the region's economy, the size and number of the resident population, as well as infrastructure provision.

The distribution of economic potential – the basis of budget revenues – is characterized by its high concentration in the two urban districts and low level of settlements' development. In the cities of Vologda and Cherepovetz 90% of industrial output is produced, 97% of profitable enterprises' profit, 72% of the wage fund, and almost 60% of the working population is concentrated.

As a result, more than 70% of tax and non-tax revenues of local budgets are mobilized in the urban districts, while half of the region's population lives in 26 municipalities that do not have sufficient tax base. Consequently, variations in the availability of own budget of income sources per capita is extremely high. During 2004 – 2009 variation coefficient was greater than unity, indicating a high dispersion of the indicator. The average difference between the wealthiest and the least provided municipality in terms of their own revenues per capita to budgetary alignment was more than 5 times (*tab. 1*).

As can be seen, more than 90% of the region's municipalities in 2009 had a budget provision below the region-average level. However, local budgets are assigned the main burden of financing the social sphere: almost 100% of the cost of preschool and general education, housing and utilities, 60% – the maintenance cost of cultural and health care institutions, and half the cost of social security and welfare services. It is obvious that the vast majority of the Vologda region's municipalities are not capable to provide the budgetary resources needed to meet expenditure responsibilities through their own revenues.

In this situation, the regional government is compelled to carry out the alignment of the municipalities' financial capacity to implement within their designated authority by transferring financial assistance in the form of subsidies that reduce the gap in the budget provision of municipalities to an average of 2 times. However,

Table 1. Providing budgetary resources per capita in the municipalities of the Vologda region in 2004 – 2009 (before alignment) *

Indicators	2004	2005	2006	2007	2008	2009
Minimum level, rub.	1941	2587	1002	2114	3778	1959
Maximum level, rub.	11463	12183	8793	11568	11656	10259
The gap, times	6.0	4.7	8.8	5.5	3.1	5.2
Region-average budget provision per capita, rub.	6304	7055	4697	7149	9045	6549
Proportion of municipalities with budgetary support below the region-average, %	78.5	71	93	89	86	93
– including less than 50% (critical level), %	32	21	68	46	18	60

* Calculated on the basis of decisions of representative bodies of local self-government of the Vologda region on financial performance for 2004 – 2008 and the Act approving the budgets for 2009 // Reference retrieval system "ConsultantPlus".

Table 2. Providing budgetary resources per capita in the municipalities of the Vologda region in 2004 – 2009 (after alignment)

Indicators	2004	2005	2006	2007	2008	2009
Minimum level, rub.	3795	5610	3977	4107	6397	5596
Maximum level, rub.	11463	12183	8793	11568	11656	10756
The gap, times	3.0	2.2	2.2	2.8	1.8	2.0
Region-average budget provision per capita, rub	6945	8072	6343	7866	9866	8642
Proportion of municipalities with budgetary support below the region-average, %	57	53	71	85	64	64
– including less than 50% (critical level), %	0	0	0	0	0	0

even with financial support from the regional budget there are significant differences in the level of per capita budget provision (*tab. 2*).

From table 2 it follows that the inter-governmental alignment can overcome extremely low level of budgetary provision of a number of municipalities, but after giving the financial assistance up to 2/3 of municipalities have a budget provision per capita below the region-average indicator. It is easy to see that the share of municipalities with a budget lower than the region-average has increased with the introduction of a new system of local government (from January 1, 2006) compared with the period of preparation of the municipal reform in 2004 – 2005.

What is the reason for this situation?

First of all it is a new system of local finance organization, during which there was a major correction of both the structure of tax sources of local budgets, and mechanisms for intergovernmental fiscal relations.

One of the basic conceptual principles of local government reform is a clear definition of an exhaustive list of local issues with the appropriate distribution of revenue sources and spending obligations. However, this trend came into conflict with the processes of centralization of power in the country. The ongoing federal government policy aimed at preserving and strengthening the subordination of local authorities, with the gradual consolidation of resources' impact on the higher levels of government. As a result, in the RF constituent regions the funds were actually concentrated in the hands of regional authorities; local

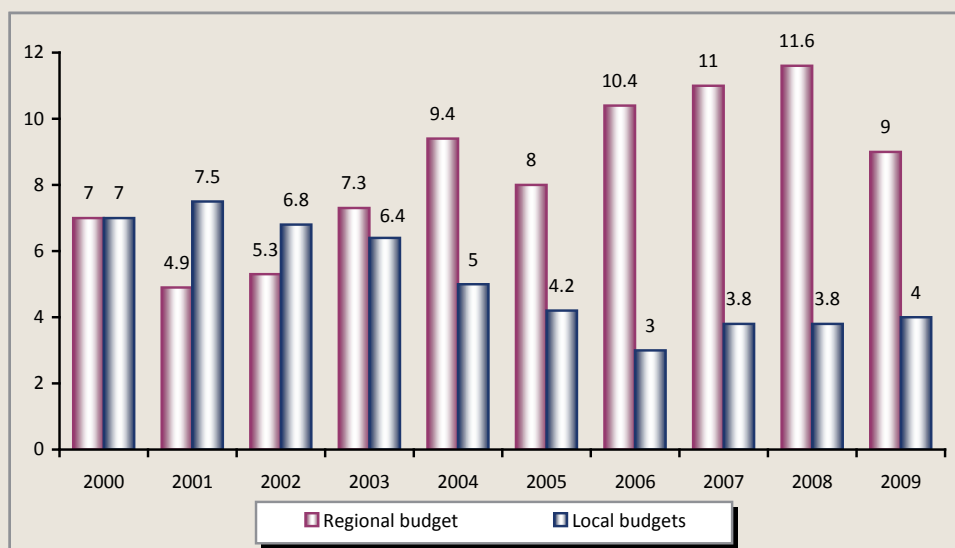
authorities were also largely devoid of incentives and opportunities for effective management and inclusion in the processes of economic modernization.

Figure 1 shows the distribution of revenues between levels of budget system of the Vologda region for the period 2000 – 2009. This distribution, taken as a percentage of GRP, characterizes the share of own revenues of each level of the budgetary system in GRP and, accordingly, the place of municipal budgets in the consolidated budget of the region.

Apparently, municipal reform has not changed, but rather strengthened the already established by the beginning of its implementation the scheme of revenues allocation between regional and municipal budgets. The share of own revenues of local budgets is continuously decreasing, which shows the distribution of revenue sources between levels of public authority in such a way that municipalities had the lowest portion of the GRP growth. Practically, this means that the municipalities did not receive any positive effect in terms of income changes of their budgets on the region's economic growth. The above trend of decreasing share of local budgets' income in the GRP is due to two main factors.

The first is the macroeconomic situation, which affects the distribution of income among the budgets of different levels. As is known, metallurgical sector of the economy, which is the main source of the regional budget's profitable part capacity usage, has a significant influence on the dynamics of the Vologda region GRP. Because of the very uneven distribu-

Figure 1. The distribution of income between the levels of budget system of the Vologda region in 2000 – 2009, % of GRP



tion of productive forces on the territory of the region the centralization of revenues from this sector is at the regional level.

Secondly, the distribution of income over the levels of budget system has changed as a result of local government reform and fiscal reform. Only land tax and property tax for individuals have been identified as local taxes. As for income from federal and regional taxes and fees received by the municipal budgets, the list of these taxes and assignments on them has been steadily declining (*tab. 3*).

Thus, as a result of taxes centralization in the regional budget sources of tax revenue in

local budgets have been significantly reduced, which directly affected the structure of their income. If the pre-reform period, tax revenues formed the revenue base of municipalities by 60 – 80%, currently these charges provide only a third of all leveraged resources. In turn, a sharp reduction in tax revenues has reduced the capacity usage of local budgets with their own revenue sources with the rapid increase of gratuitous income (*fig. 2*).

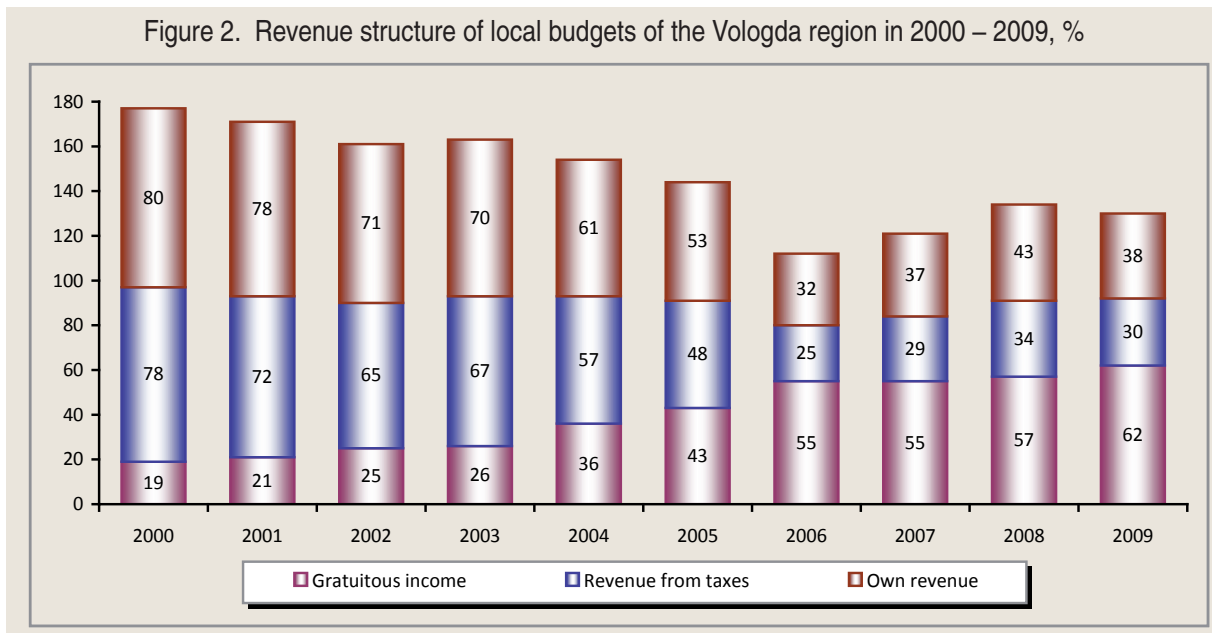
It should be noted that this situation was envisaged in the reform initially on the strength of very uneven levels of economic development and earnings potential of individual

Table 3. Assignments standards from the federal and regional taxes and fees to the local budgets of the Vologda region, %

Tax revenues	Before the reform (2003 – 2004)	After the reform (2005 – 2009)
Income tax (rate)	7	0
Tax on personal income	50-70	30-40*
Tax on gambling	50	0
Excise taxes on vodka	35	0
Property tax	50	0
Tax on personal property	100	100
Land tax	50	100
Payments for the use of natural resources	65-80	0

* Since 2006, the budgets of settlements credited 10% of personal income tax, in the budgets of municipal districts – 20%, in the budgets of urban districts – 30%. Besides, the law of the Vologda region is enshrined in addition at least 10% of personal income tax revenue for municipalities.

Figure 2. Revenue structure of local budgets of the Vologda region in 2000 – 2009, %



territories. In order to align the budget of the regions and municipalities there has been a reassignment of a significant amount of tax revenue. In addition, the need to provide a relatively equal citizens' access to the budget services throughout the country was the reason that in the course of municipal reform involves a significant degree of dependence of most municipalities from intergovernmental transfers from higher budgets.

Describing the structure of the income of municipal budgets of different types, it may be noted that the budgets of municipal districts are the most stable among the municipal budgets of all three types, as their supply of own revenue sources accounted for 51 – 60%

in 2007 – 2009. Dependence of the budgets of municipal districts and settlements on inter-governmental transfers is highest and amounts to 65 – 82% of their total income. In fact, one can conclude that in the course of municipal reform a model of “transfer-dependant” municipal region with a high level of both grants to equalize fiscal security, and subventions to the performance of delegated state powers was consolidated (*tab. 4*).

In connection with the reduction of tax sources of local budgets, almost all municipalities of the Vologda region have become subsidized. Of the 372 municipalities, which operate across the region, only 5 did not receive grants budgetary provision leveling: two

Table 4. Revenue structure of municipal budgets of different types in the Vologda region for 2006 – 2009, %

Income items	Urban districts				Municipal regions				Settlements			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
Total revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Own revenues	44.8	51.4	58.5	60.5	15.4	25.9	30.0	17.9	28.4	21.9	35.2	33.1
Including: – tax revenues	33.5	38.9	44.2	48.3	12.5	22.3	26.1	14.5	21.8	16.2	26.9	27.1
– nontax revenue	11.2	12.5	13.7	12.2	2.9	3.6	3.9	3.5	6.6	5.7	8.3	6.1
Gratuitous income	33.5	37.4	42.0	39.5	81.1	69.9	70.0	82.1	69.8	76.6	64.8	66.8
Including: – alignment grants	0	0	0	0	34.0	11.8	16.5	27.5	20.6	23.8	83.6	63.5
– subventions	61.2	52.0	50.8	70.5	52.5	52.2	55.5	55.3	9.1	31.6	1.9	2.0
– grants	38.6	43.1	48.8	28.6	11.5	25.1	25.4	15.4	5.1	8.7	8.6	31.8

urban districts and 3 rural settlements. Yet the most acute shortage of financial resources to address local issues is manifested in urban and rural settlements. For example, in every second settlement in the Totma rural area in 2008, expenditure commitments were funded at 83 – 93% due to gratuitous transfers from the regional budget, mostly donations, and their own sources provided covering no more than 6 – 13% of the costs (*tab. 5*).

Structural analysis of the tax revenue of municipal budgets shows that the most significant revenue in local budgets was provided by the income tax, whose share in tax revenues increased from 34% in 2000 to 70% in 2009 (*tab. 6*).

Since the beginning of the reform of local government and a change in tax law the value of

the profit tax in the structure of tax revenues of local budgets has sharply reduced: if in 2000 – 2004 income tax provided the third of all leveraged tax resources, in the subsequent years, its share declined to 11%, and this tax entered mainly in the budgets of municipal districts with additional statutory transfers.

The situation is similar to the income tax on organizations property, their share in tax revenues declined from 7 – 11% in the pre-reform period up to 5% in 2007 – 2008, and in 2009 payments from this resource did not come in local budgets, even for additional regulations.

Such changes in the structure of tax revenues, a significant increase depending on the income tax revenue in the period 2005 – 2009 indicate a decline in the diversity of the tax component of the revenue part of local budgets.

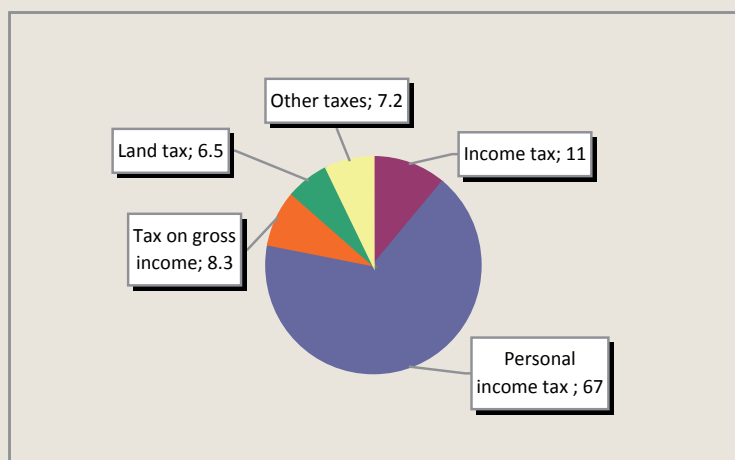
Table 5. Sources of budgets cost covering of settlements in the Totma rural area in 2008

Settlement	Costs, thousand rubles	Sources of costs covering							
		Tax revenues		Non-tax revenues		Gratuitous income		Income from business	
		thousand rubles	%	thousand rubles	%	thousand rubles	%	thousand rubles	%
Velikodvorskoye	3837	687	18.0	66	1.7	3180	82.9	33	0.9
Vozhbalskoye	3776	435	11.5	68	1.8	3204	84.8	23	0.6
Kalininskoye	6873	1160	17	590	8.5	4854	70.6	94	1.4
Medvedevskoye	6084	194	3.2	207	3.4	5641	92.7	88	1.4
Moseevskoye	5020	447	7.0	56	1.1	4530	90.2	0	0
Pogorelovskoye	11081	5214	47.0	4385	40.0	688	6.2	35	0.3
Pyatovskoye	18353	3187	17.4	1605	8.7	11959	65.2	0	0
Tolshmenskoye	7300	804	11.0	88	1.2	6439	88.2	90	1.2
Totma	23776	12329	51.8	1760	7.4	9822	41.3	0	0
Total	86100	24457	28.4	8825	10.2	52455	61.0	363	0.4

Table 6. Structure of tax revenue of municipal budgets in the Vologda region for 2000 – 2009, %

Income items	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total tax revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Including:										
– income tax	32.2	27.1	17.4	23.0	31.0	14.0	5.3	13.7	11.0	0
– personal income tax	34.0	43.3	50.6	50.0	43.5	53.3	74.3	60.0	67.0	70.8
– excise	9.7	6.1	7.6	6.2	5.0	5.0	0	0	0	0
– tax on gross income	4.0	5.2	4.5	1.6	2.5	4.3	9.8	8.5	8.3	7.2
– tax on personal property	0.3	0.3	0.5	0.5	0.6	0.8	1.8	2.7	3.3	10.0
– property tax	6.7	6.0	11.1	9.8	8.4	11.3	0	5.0	5.0	0
– land tax	2.0	2.0	2.6	2.7	4.2	8.3	9.3	8.0	6.5	10.0
– payments for the use of natural resources	1.5	2.2	5.1	5.1	0	0	0	0	0	0
– government charges	0.2	0.3	0.3	0.3	1.0	1.1	2.3	1.8	1.5	2.0

Figure 3. Enlarged structure of tax revenues of local budgets in the Vologda region in 2008, %



As can be seen from the *figure 3* below illustrating the enlarged structure of the tax revenue of municipal budgets, in 2008 2/3 of tax revenue sources provided for personal income tax, 25% – for tax on profit, tax on gross income and land taxes, and the remaining charges account for only 7%.

The current structure of tax revenue does not encourage municipalities to develop their own economy, increase tax base. Moreover, since the income tax and profit tax are federal taxes, municipalities have little effect on their collection. In fact, the only levers of influence on the size of their tax revenue currently available to the municipalities are the few options for land tax and property tax on individuals who can determine the local government in accordance with the RF Tax Code. However, local taxes do not play a significant role in the incomes of local budgets. The combined share of incomes from local taxes in total revenue of municipalities in 2009 was estimated below 18%, and in 2005 – 2008 it averaged 10% (*tab. 7*).

Unlike most other taxes, the role of income in local taxes in the budgets of municipalities is highly diversified in the context of types of municipalities. Thus, if in the budgets of municipal districts local taxes are presented only by one payment – a tax on personal property, whose role in the revenue base's capacity usage is very insignificant, in the budgets of settlements local taxes provide for up to 20% of their revenue sources.

Speaking on local taxes, it is important to note that drafting the Law on local government it was supposed that the land tax and property tax for individuals will be the main revenue sources, primarily settlement budgets. However, local governments cannot provide full income from both land tax and property tax on individuals. The main problems with the collection of these payments are in the field of accounting the tax base on them. So, as a result of weak study of procedure of cadastral land valuation, the information on many plots of land is not reflected in the account, which

Table 7. The share of local taxes in personal income budgets of municipalities of different types in the Vologda region for 2006 – 2009, %

Local taxes	Urban districts				Municipal regions				Settlements			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
Total	9.7	9.8	9.1	17.3	0	2.7	2.5	7.5	17.7	20.4	20.0	28.8
Including: – tax on personal property	1.1	1.2	1.6	6.8	0	2.7	2.5	7.5	8.2	9.0	11.8	20.4
– land tax	8.6	8.6	7.5	10.5	0	0	0	0	9.5	11.4	8.2	8.4

of course leads to a decrease in income from land tax. In addition, according to a number of expert estimates nearly 80% of the land in Russia, which could serve as permanent sources of income of local budgets, is considered as federal property (land reserve, forest resources, etc.).

Consolidation in the federal legislation of voluntary registration of ownership rights to immovable property, lack of modern methods of assessment of its inventory value hamper a precise definition of the tax base on property tax on individuals. As a result, a large number of objects of taxation remains unaccounted for, the data on the inventory value of the property owners today is outdated and several times different from real market prices.

Income from non-tax revenues of municipalities in 2004 – 2009 were characterized by positive dynamics, but their share remains small – only 8% of the local budgets income.

Non-tax revenues were primarily composed of incomes from the municipal property rent (*tab. 8*).

Since 2005, the diversified structure of non-tax revenues of local budgets increased slightly due to increase in the proportion of income from the sale of tangible and intangible assets. This trend is a direct consequence of the entry into force of the law, binding list of property in the municipal property, with a list of issues to be addressed by local governments. Before January 1, 2012 municipalities have to dispose alienation or restructuring of property not conforming to the requirements. However, this approach to the definition of municipal property is not fully justified, since the sale of assets undermines the long-term economic

fundamentals of local government. In addition, in the areas with low socio-economic development it is very difficult to ensure the population with public services by private enterprises.

Given that the revenue from the use of municipal property brings more than 12% of own revenues of local budgets, it is useful to consider revising the list of assets that can be owned by local governments. The extension of the list should be based on assessing the effectiveness of municipal enterprises and institutions.

The state of the municipal entities budget provision was affected not only by large-scale redistribution of local authorities' revenue powers, but also by changing the system of budgetary cooperation at the sub national level, especially the system of intergovernmental grants. Confirmation of these processes is the progressive increase of the regional budget costs to provide financial assistance to municipal budgets (*fig. 4*).

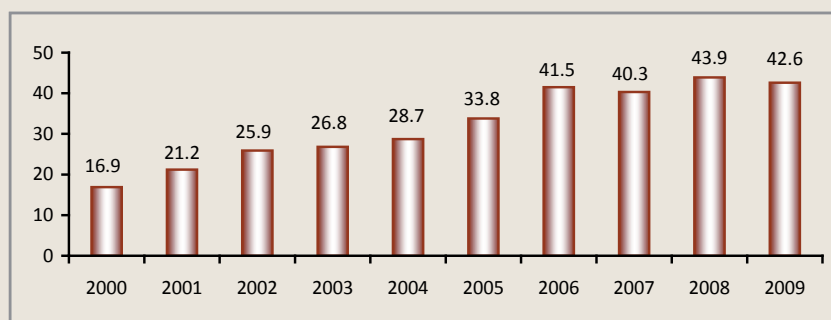
Analysis of theoretical principles and international practice of the local government's functioning suggests a large variability of ways to organize a system of intergovernmental fiscal relations. At present there is no single universal model of budgetary interaction in the state. However, the fundamental principles which are the basis of the relations between state and local government, are the primary distribution of spending powers to ensure which revenue sources are formed in the future, as well as the need for vertical and horizontal balance of territorial budgets.

It should be recognized that, in general due to the reform of regional and municipal finances sufficiently coherent and workable

Table 8. Structure of non-tax revenues of municipal budgets in the Vologda region for 2004 – 2009, %

Income items	2004	2005	2006	2007	2008	2009
Total non-tax revenues	100.0	100.0	100.0	100.0	100.0	100.0
Revenues from the use of property in municipal ownership	73.5	57.3	42.5	55.1	44.3	42.5
Payments for use of natural resources	0	6.7	2.5	3.3	2.7	3.3
Revenues from paid services provision	0	0.3	0.2	0.6	14.4	20.6
Revenues from the sale of assets	0	14.6	44.2	30.6	26.2	19.6
Fines	16.8	14.1	6.4	7.9	9.8	12.8

Figure 4. The share of budgetary transfers in total expenditures of the regional budget of the Vologda region in 2000 – 2009, %



system of intergovernmental fiscal relations is generated, which includes the general alignment of the earnings potential of territorial budgets and alignment of the earnings potential taking into account the current expenditure needs differentiation. Methodological aspects of the intergovernmental transfers' distribution, forming the financial assistance funds, are rather mature and consistent with international best practices in the use of such instruments of budgetary alignment.

However, there are some problems in the field of inter-budgetary relations.

First, it's the lack of the local governments' real needs assessing to address local issues.

Methods of regional funds' financial support distribution and funds for co-financing costs, which are the main tools of the horizontal alignment of municipal formations, contain, basically, only the calculation of shares of stock, due to each municipality. The local authorities' financial requirements assessment is based on the established structure of budget expenditures and does not reflect the real need for financial resources. The gap in budgetary funds redistribution principles and methods for determining the necessary financial resources for the execution of powers remains today one of the main problems of budgetary interaction and financial support of local government reform. To resolve this problem such a mechanism as the financial standards is used in the world practice.

The standards for the expenditure responsibilities evaluation to municipal entities have been developed in the Vologda region since 2005, which allowed establish the expenditure

base of local budgets in the allocation of inter-governmental transfers rather objectively. However, to assess the value of expenditures a method of calculating the standards requirements for the implementation of authority approved at the federal level is required.

Secondly, the issues of clear distribution of authority in the spheres of government bodies and local authorities have not been resolved. These powers include the public transport services, agricultural support, prevention and management of emergencies, etc. As a consequence, a problem of financing of these powers primarily appears during their implementation in practice.

With the reduction of the municipalities' own revenue sources the amount of authority delegated to municipalities with the federal and regional level is increasing annually. Federal Center, having declared independence of local self-government, did not create management systems, distribution of power and properties, allowing those bodies perform their functions. Under these conditions, the responsibility for all the problems that cannot be solved by the Federation and the regions is shifted to the municipalities. In the years 2006 – 2009 third of the cost of municipal budgets was spent on the implementation of the delegated powers, which of course, complicates the enforcement of its expenditure responsibilities of local governments (*tab. 9*).

The multiplicity of forms of intergovernmental transfers (only in 2008 more than 200 kinds of subventions and subsidies have been

Table 9. Correlation of own and delegated authority of the Vologda region municipalities' costs in 2000 – 2009, %

Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Expenditure on own authority's implementation	95.0	89.4	87.1	89.4	79.0	79.2	71.6	71.9	72.4	67.4
Expenditure on delegated authority's implementation	5.0	10.6	12.9	10.6	21.0	20.8	28.4	28.1	27.6	32.6

transferred from the federal budget to regional and municipal level) leads to an increase in financial flows, and consequently increased the cost of their service. In this regard, it would be reasonable to reconsider the level of grant transfers by increasing the level of budgetary security entities and municipalities.

That is not grants, spending trends of which are determined by the municipalities, but targeted transfers – grants and subventions – are becoming increasingly important in the structure of intergovernmental transfers, which means equity in the regional budget expenditures, which regional authorities consider as necessary (*fig. 5*). For this reason, municipalities are not yet able to start actively working to optimize their spending and abandonment of inefficient spending, which is one of the main objectives of budgetary reform. Prerequisite for such changes should be a known municipalities' independence in prioritizing budget expenditures and the availability of incentives to develop its revenue base.

Thirdly, there are limitations in terms of budgetary control.

In order to increase the revenue base of municipalities the existing legislation gave the

regions the right to establish local budgets in common norms of deductions from federal and regional taxes. In the Vologda region there was introduced a single standard tax deductions on personal income in the budgets of municipal districts in the amount of 10% and uniform standards on vehicle tax deductions for all types of municipalities. However, the regional authorities cannot fully take advantage of this right and expand the list of common standards due to significant differences in economic and fiscal capacity of municipalities. One solution to this problem may be the provision of legal entities to establish uniform standards according to the types of municipalities.

In order to encourage local authorities to build the tax base replacement of grants by additional statutory transfers from the federal and regional taxes is widely used in the region since 2007. Taxes assigned to the budgets of municipal districts of differentiated standards form on the average half of their own income (*fig. 6*).

Such practices contributed to a significant reduction in municipalities' subsidies, especially at district level. The share of subsidies in their own revenue budgets of municipal

Figure 5. The structure of intergovernmental transfers to local budgets of the Vologda region in 2004 – 2009, %

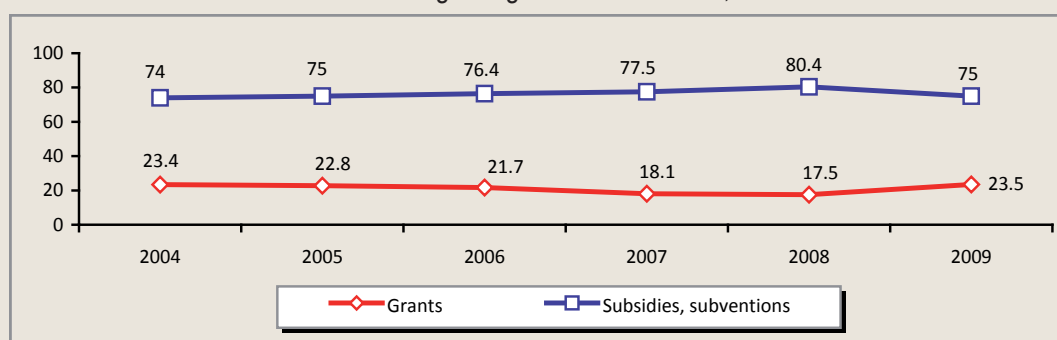


Figure 6. The share of taxes received through additional regulations, in own income of local budgets of the Vologda region in 2007 – 2008, %

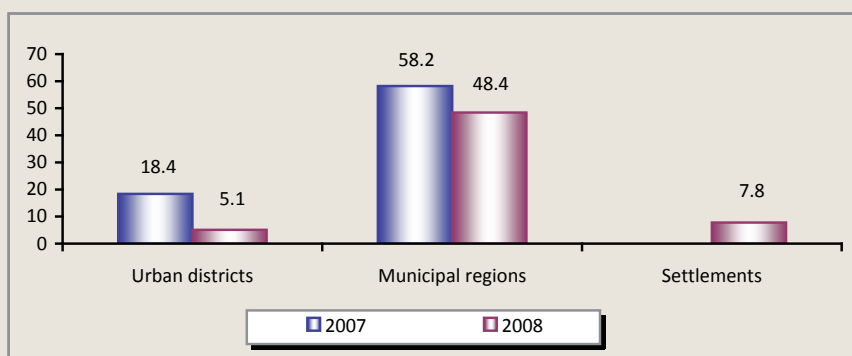
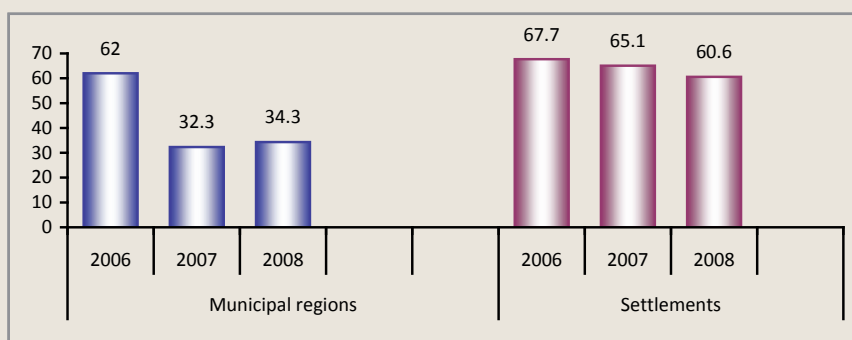


Figure 7. The share of subsidies in the personal income of municipal budgets of the Vologda region in 2006 – 2008, %



districts fell from 62% in 2006 to 33% in 2007 – 2008. There is a tendency to reduce subsidies to rural settlements (*fig. 7*). We must assume that the continuation and development of this form of financial support will help to improve budgetary management.

Issues and trends identified above indicate the need for adjustment of financial assistance to local authorities.

Inconsistency in the existing system of intergovernmental fiscal relations and the real needs of municipalities raised the problem of so-called “hidden” deficit of local budgets. In general, the budgets of municipalities of the Vologda region in the years 2000 – 2009 were

performed with a small deficit or surplus (on average less than 3% of total income), indicating the apparent balance of the financial system of local government (*tab. 10*).

However, from a position of fiscal autonomy of local budgets it is important to assess the balance of municipalities’ own resources, i.e. the ratio of their revenue powers and expenditure responsibilities in terms of ability to determine the amount and direction of funding legislatively defined list of functions and services to the public through their own revenues independently (*tab. 11*).

The table shows that the key changes in the level of financial sustainability of municipalities

Table 10. The balance of local budgets of the Vologda region for 2000 – 2009, mln. rub.

Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues	5689	6350	7773	9790	12999	15161	18883	24860	26235	22981
Expenditures	5557	6511	7708	10240	12919	15494	18558	24069	26412	23575
Deficit -, surplus +	+132	-160	+65	-450	+80	-333	+325	+791	-177	-594
% of revenue	+2.3	-2.5	+0.8	-4.5	+0.6	-2.2	+1.7	+3.2	-0.7	-2.5

Table 11. The dynamics of the balance of the Vologda region municipalities' own resources for the years 2000 – 2009

Indicators	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Own revenues, mln. rubles	4566	4943	5496	6906	7919	8071	6082	9392	11393	8728
Expenses net of subventions, mln. rubles	5282	5822	6715	9158	10200	12265	13290	17303	19135	15893
Balance indicator, %	86.4	85.0	82.0	75.4	77.6	65.8	45.5	54.3	60.0	55.0

Table 12. The dynamics of the balance of municipalities' own resources of different types in the Vologda region in 2006 – 2009

Indicators	Urban districts				Municipal regions				Settlements			
	2006	2007	2008	2009	2006	2007	2008	2009	2006	2007	2008	2009
Own revenues, mln. rubles	4555	5966	6985	6070	1115	2749	3619	1923	412	577	789.5	735
Expenses net of subventions, mln rubles	7940	8837	9565	7455	4026	6537	7386	6127	1324	1949	2184	2310
Balance indicator, %	53.4	67.5	73.0	81.4	27.7	42.0	49.0	31.4	31.1	29.6	36.1	31.2

have begun to occur even before the reform of local self-government and intergovernmental fiscal relations. Total balance indicator of local budgets fell from 86% in 2000 to 45 – 60% in 2007 – 2009.

More correct results can only be obtained when assessing balance of the municipal entities' budgets of different types (*tab. 12*).

From these data we can conclude that achieving a balance of own resources of local budgets in the region in total at the level of 55 – 60% in 2007 – 2009 was achieved only at the expense of urban districts. In municipal regions and settlements the ratio of own income for own expenses amounted to fewer than half (average 35%).

Reducing balance of municipalities' own resources indicates an increase in dependence of local government financial assistance on higher levels of budget system.

Concluding the analysis of the budgetary provision of municipal entities, we can conclude that the capacity of local government is now little used; the territories exist mainly due to regulation and balancing of higher-level budgets. Therefore, economic incentives and financial autonomy of municipalities are the most problematic issues of municipalities' transition to the regime of sustainable and integrated socio-economic development.

The movement towards fiscal self-sufficiency of local government should be a key area of municipal policy. Strategic benchmark here is

the substitution in the budgets of municipalities with a relatively high level of socio-economic development of the financial aid budgets of higher revenues from their own revenue sources.

It seems that the efforts of governments promoting financial and economic foundations of local self-government at all levels should be focused on the following directions.

1. Strengthening the revenue base of local budgets.

The first priority in this direction is the redistribution of income between the federal, regional and local levels of government, consolidation of local budgets additional revenue sources, enabling municipalities to work on their own tax base. At the same time for urban districts as the most secured type of municipalities, norms of deductions from federal and regional taxes should be fixed in an amount sufficient to release their self-reliance.

It is necessary to strengthen the role of local taxes in the formation of a profitable part of local budgets. According to the financial executive authorities of the constituent territories of the Federation, practically a consensus today is a proposal to impose a local tax on real estate, assigned to the towns and urban districts, subject to a system of tax deductions in order to preserve the tax burden on low income citizens. It possible to consider an issue of giving the status of local to some other taxes (transport tax, taxes with the use of special tax regimes).

The reform of property taxes requires prompt completion, which should make these taxes in the real revenue sources of the municipalities. In respect of the land tax there should be improving the order of separation of state ownership of land in order to establish more reasons to assign land to municipal ownership. It seems appropriate to return to the old order of property tax payment that is at the location of the property. To increase the collection of property tax on individuals the initial step is legislative changes with regard to establishing a mechanism to attract owners to responsibility for evasion of registration of property rights to the property.

An important factor in determining the revenue potential of municipalities is the development of small and medium businesses. Local authorities are to promote it removing all the infrastructural and administrative restrictions to the development of these forms of entrepreneurship.

2. The formation of municipal property.

To increase the territories' earnings potential from the use of property one must abandon strict regulation of the property, which may be owned by the municipalities. In world practice currently is dominating an approach in which management of municipal assets - real estate, land, borrowing, etc. - is considered in comparison with the practice and methodology of management of private assets. This methodology involves a complete inventory of assets, as well as maintaining the register of property and asset management on a portfolio basis.

It is important to ensure full payment of land utilization and municipal property, for which it is necessary to develop the entire legal framework on management of property, greater engagement with tenants and other measures to increase the collection of non-tax payments.

3. Improving fiscal relations at the sub national level.

As long as there are significant differences in the budgetary provision of municipalities, the level and quality of services to the population should not be made dependent on the finan-

cial capacities of local budgets. Therefore it is necessary to continue improving the budgetary interaction. In this context, a systemic review of the current scheme of intergovernmental fiscal relations by consistently moving towards a reasonable decentralization seems justified. Implementation of this approach is seen through the debugging control mechanism with clear division of competencies between the three levels of government and the relevant distinction between public responsibilities. Local authorities should be exempted from participation in the decision of inappropriate administrative tasks without financial guarantees from the state.

To address the issue of local budgets' vertical balance it is necessary to implement the mechanisms of equalization schemes of municipalities based on the definition of basic principles for the formation of standards for the provision of municipal services and the minimum estimated budget security.

In order to improve the efficiency of the intergovernmental grants system it is necessary to exclude the practice of non-productive counter financial flows. The consolidation of numerous types of transfers from the federal budget to regional and municipal level also seems justified.

Of course, the problems of budgetary provision of municipal entities are national in scope. However, it is this local authority on which directly depend the possibility of the territories' innovation and development, and quality of services to the population. Therefore, local government needs in the most serious attention and support from the state. A qualitatively different approach to the differentiation of policies for different types of municipalities is required. Municipalities which are points of growth (especially urban districts) should receive effective incentives for development, and depressed territories - assurance of state support. Urban districts should be allowed to expand their list of critical issues of local importance. With regard to rural settlements, on the contrary, the state must increasingly take responsibility for financial security and compliance with basic standards of service delivery.

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Financial possibilities for providing expenditure obligations of local self-government

The article assesses financial provision of expenditure obligations of local self-government. Problems requiring urgent solutions and including decrease of financial autonomy of municipalities and increasing their dependency on decisions and financial support from upper level budgets are revealed.

Local self-government, revenue basis of local budgets, financial provision, financial support.



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Expenditure commission of municipalities forms their rights and duties set for controlling budget legal relationship, organizing and realizing budgetary process, observing direction and amount of finance expense. Complete and qualitative discharge of expenditure obligations is connected directly with financial providing local self-government, which organizational principles were transformed during realizing reform of local self-government and interbudgetary relations.

During 2000 – 2008 amount of accrued in municipalities budgets finance in current prices has increased essentially, but in comparable conditions it has decreased. Total income volume of the municipalities in

Murmansk region accounts for 25.8 billion roubles or 1.1% from total income volume of the all Russian municipalities. Income distribution according to types of the region municipalities in 2008, as in previous years, is characterized by irregularity: urban district budgets have received 77.1%, metropolitan region budgets – 18%, settlement budgets – 4.9% (*table*). It should be noted that in contrast to situation in the Russian Federation in whole income distribution according to the municipalities in Murmansk region is more irregular, the reason for this is difference in socio-economic development of cities, presence of enterprise forming a company town in the urban district's territory.

Table 1. Income ratio of local budgets in profile of main municipalities types, %

Type of municipality	2007		2008	
	The Russian Federation	Murmansk region	The Russian Federation	Murmansk region
Urban districts	53.2	75.8	51.7	77.1
Metropolitan regions	39.9	19.4	39.8	18.0
Federal cities	0.5	-	0.5	-
Urban settlements	2.6	3.9	4.0	4.0
Rural settlements	3.8	0.9	4.0	0.9
Total	100	100	100	100

Source of information: Author's calculation according to figures from collected statistical articles "Russia's regions. Socio-economic indexes" 2009.

Figure 1. The own income ratio sources of urban districts, %



By this transforming structure components of local budget income have considerably changed. Urban districts had a high tax potential and provided up to 70 – 90% of their funds in budgets income during the pre-reform period have lost their own income by 2006 and income volume has decreased 1.5-3.5 times (*fig. 1*).

In metropolitan regions which level of economic development does not exceed mean value in the region their own sources of budget ratio has decreased 1.5-2.0 times (*fig. 2*). The lowest figures are noticed in urban districts of closed administrative-territorial divisions (*fig. 3*).

In whole Russia's economic growth in 2000-s stimulated receipt of tax proceeds to Russia's budget, but virtually it did not invest to the municipality budgets. Share of tax proceeds declined steady and only since 2007 we can notice some changes for the better.

First of all tax funds decline in local budgets is caused by removal of some local taxes from Russia's tax system. In the year of tax code (TC) enacting the number of local taxes has been decreased from 26 to 5, after enacting changes to the TC (since 2005) there are only 2 taxes being in force in metropolitan regions. Their tax income ratio varies from 1.5% to 12%.

For tax independence expansion of municipal officials' new standard of assessments from federal taxes to municipal budgets was assigned by the Budget Code (BC) on continuing basis.

At the same time the BC authorized a region of the federation to give a share of incoming to regional budget taxes to the municipal level. Two regional taxes (transport tax and gambling business tax) and about 10% of income tax (IT) in excess of the standard was assigned to local budgets by the regional law. This fulfilled steps raised slightly the tax part in income of Murmansk municipalities, but amount of accrued finance did not allow to make up losses of local budgets from omitted local taxes in full and as the result their own income level has decreased.

Choice of such mechanism as transmission of assessment norms from federal and regional taxes to the local level is reasonable so far as federal subjects of the Russian Federation form tax superstructure taking into account the regional differentiation features of tax potential according to the types of municipalities and real opportunity of local self-government to influence on the assessment basis and tax collection. But the reason of this mechanism insufficient application in the federal subjects is a low tax component in the regional budgets, and it forces the federal subjects to be guided by financial aid transmission to the local budgets.

Establishment of basic taxes (income tax, single imputed earnings tax, agriculture tax) as the main local budget making source is appreciated positively because this allows the local self-government to forecast the amount

Figure 2. The own income ratio sources of municipalities, %

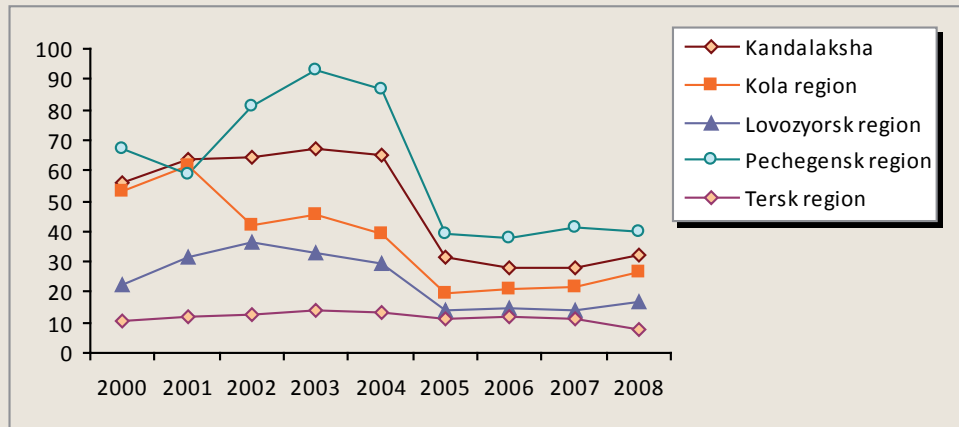
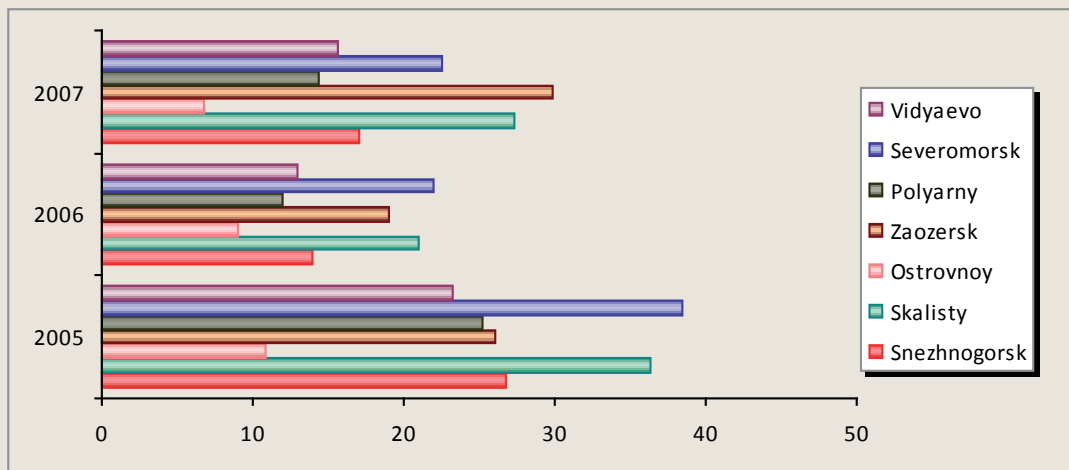


Figure 3. The own income ratio sources of closed administrative-territorial divisions, %



of finance and plan without assistance the expense of accrued finance. And with this the differentiation tax norms approval according to the types of municipalities is one of the main courses of tax income irregular allocation to the budgets of urban districts, metropolitan regions and settlements, and also of difference in their tax income structure.

Settlement budgets are presented by a short list of taxes which assessment norms are minimum. As a result settlement budgets risk to be stable by considerable share of free payment transfers and little tax proceeds amount formed mainly by income tax (IT), land tax, assessed tax and income from property use and sale.

The bases of metropolitan region budgets are income tax (IT) – 70.8%, total revenue

tax – 6.2%, transport tax – 5.9%. Budget concentration of easy predictable taxes – income tax (IT) and single imputed earnings tax (SIET) providing in aggregate up to 77% tax income – make metropolitan region budgets more stable than settlement budgets are.

Income structure of urban districts can be identified as most diversified and presented the following main budget taxes: income tax (IT) – 61%, land tax – 4.2%, total revenue tax – 5%, transport tax – about 6%, gambling business tax – about 5%. By the Budget Code (BC) enacted main taxes ratio as a sum of settlement and district norms provided the most budget stability of urban districts among the groups of municipalities. With this the developed tax basis according to the income tax (IT) provided

by functioning in the large, medium-sized and small enterprises of urban districts provided rather a lot of receipt of funds to their budgets according to this tax.

Beginning and functioning history of closed administrative-territorial municipalities having status of urban districts predetermined problems of their budget income basis. Limited tax basis provides small degree of budget stability in closed administrative-territorial municipalities having status of urban districts.

With this a low level of tax income in oblast and local budgets and also under effectiveness of tax collection are directly connected with the special approach to forming of Russian's tax system and with choice of correlation between direct and indirect taxation.

Since beginning of current Russian tax system tax income of Russian's subject and local budgets formed by receipting of direct and indirect tax funds. On the one hand combination of two tax types in territory budgets provided achievement of fiscal taxation objectives by introduction of direct taxes, and on the other hand it allowed realizing controlling functions of direct taxes.

Since the last years the basis of subordinate budgets are only direct taxes: profit tax, total revenue tax, income tax and assessed tax. In spite of the tax control process is handed over to federal authorities, the degree of collected taxes is rather low. Tax collection depends on the income level of natural persons – taxpayers and results of keep house subjects reacting to changes in microeconomic situation and depending on conjuncture of world prices for raw materials because most enterprises of the region are export-oriented. So most of all from the financial-economic crisis suffered both regional budget by under receipt of income tax because of decline in prices for raw materials and local budgets through growth of unemployment entailing decrease in receipt from income tax. In whole direct taxes can be characterized as laborious because of process of their collection and their correct computation control.

On the contrary in the structure of federal budget prevail indirect taxes which as a fiscal instrument provide national treasury with finance. The process of these taxes collection is less laborious and more easily controlled.

Difficulties in direct taxes consolidation of regional and local authorities become more complex through establishment and expansion of federal and regional tax benefit by federal legislative bodies.

Particularly social and property tax deductions from income tax are being revised permanently, federal allowances of firm property tax are continuing to be effective, use of amortization bonus is increasing and it leads to falling out of tax income in regional and federal budgets.

Amount of own income assessment per head in Murmansk municipalities shows that in 2005 this index was reduced in comparison with the pre-reform period and was increased in the next years (*fig. 4 and 5*).

Choice of special tax put to local budgets caused some decreasing of own income differentiation within the municipalities of the same group.

With it the creation of various municipalities non registering their difference in economic potential and the establishment of unequal tax norms according to each municipality type led to preservation of own income differentiation between the cities.

A higher index level is provided in urban districts which economy is presented by enterprise forming a company town (excepting Apatity) and rather high-capacity tax basis according to income tax. In municipalities the level of own income per head is lower than in urban districts, but deviation of own income peak value from minimum value is higher in municipalities. The reason is admission of municipalities with unequal economic potential to the group of metropolitan regions.

Thereby differences in tax potential, consolidation of most collected taxes into federal budget and transmission of the least collected and profitable taxes become another reason of financial problems in local budgets.

Figure 4. Own income per head according to urban districts, roubles

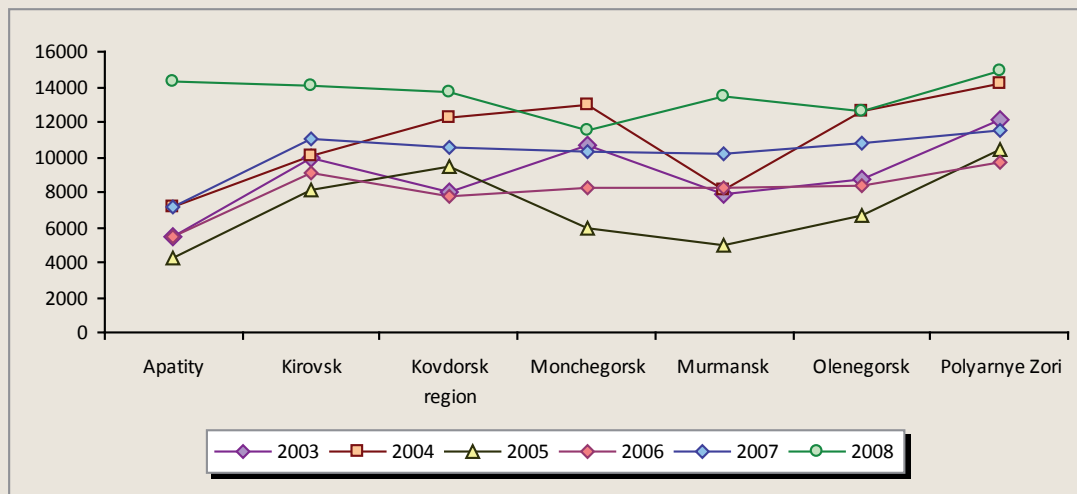
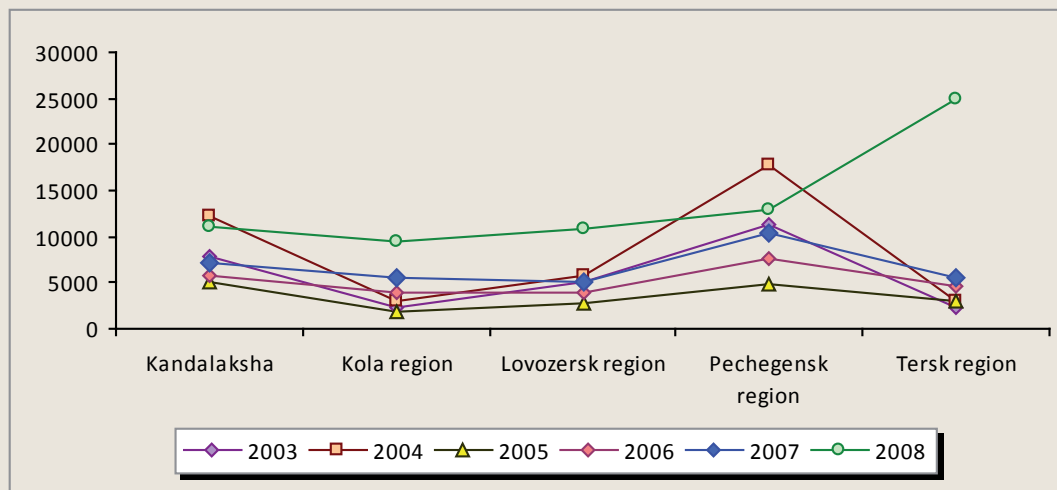


Figure 5. Per capita income according to the municipalities, roubles



Own incomes concentrated in local budgets for financing of discharge obligations and consideration of their sufficiency shows that in the pre-reform period the level of cost reimbursement through own incomes was rather higher than at present. Taxes paid by enterprise forming a company town provided financing from 60 till 80% of all expenditure budget items. In 2006 – 2008 the level of cost reimbursement through own incomes decreased up to 40 – 45% in local budgets, and it does not exceed 10 – 15% in municipalities not having any enterprises forming a company town. After local budgets lost income and firm property tax principal taxpayers take part in forming of budget income indirectly, mainly through income tax deducted

from payment to employees, and incomes of local budgets are formed mainly through the subjects of entrepreneurship.

Local self-government should have necessary hand levers to stimulate economic activity of small management subjects for expansion of tax basis. Right measure for regulation of small-scale business paid tax elements is excepted from their authority by federal legislator. So according to single imputed earnings tax went into local budget from small management subjects authority of local administration applies to establishment of entrepreneurship types and concretization of basis income corrective factor – F2 reflecting characteristics of entrepreneurship.

With regard to simplified tax system all the numeration of taxation elements (tax basis, tax rates, tax remissions etc) is formed by federal legislative bodies without participation of local authorities. The region has a right to impose the simplified conditions on its territory and regulate some elements of patent system. Financial crisis called for transmission of additional rights to the regions to support small and medium-sized enterprises in federal subjects. Governmental bodies have such authority as regulation of single tax rate though it will be more logical to give this right to local self-governments because assistance to development of small and medium-sized enterprises is of importance on local level. So estimate of legislative norms indicates the restrictions of municipality body possibilities in taxation depriving them stimuli to form a full-grown tax basis and own finance source.

Low tax collecting into local budgets forces the authorities of federal subject to assign means as transfers for their support. At the average the amount of gratuitous transfers in urban districts is 56%, in metropolitan regions – 75%, in settlements – more than 80% of budget income. Target funds prevail in finance support structure. A large part of subsidies (more than 30%) indicates increase in influence of region authorities on choice of priority during municipal charge financing. Growth of subvention ratio in incomes of municipal budgets (40 – 60%) indicates decrease of the fiscal autonomy level of municipalities according to charges and realization of state budget policy through municipalities.

Summing up we should notice that finance problems of municipalities were not solved finally during in the country realized reforms and these problems became aggravated with

finance-economic crisis. Active governmental participation in regulating of tax-budget relations lead to decrease of tax component in local budget and degree of tax income structure diversity in local budgets, growth of local self-government dependence on decisions and finance resources of higher levels of federal budget system.

It is necessary on federal level to create arrangements for strengthening of income basis in local budgets and developing stimuli for effective financial management for providing of finance situation stability on the level of municipalities in order to discharge of obligations by local self-government.

Particularly it is also necessary to fix local taxation system. It is suggested considering the matter of giving status “local” to some taxes, for example transport tax and single tax, functioning according to simplified diagram. In addition particularly all specialists uphold the idea of local real estate tax introduction for urban districts and settlements, this tax will come in local budgets entirely and become their main income source. Putting a tax into effect needs form a benefit system for low-income groups. It is rationally to transfer additional instruments for regulation of local taxes to local self-governments. Particularly in simplified taxation system regulation possibility of single tax rates should be assign just to local self-governments on long-term basis not only during financial-economic crisis, this allows to consider local features and support small-scale entrepreneur activity in for town privileged branches.

Effective measures for strengthening of finance basis in municipalities should become realization of important budget policy by regional and local self-governments.

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Strategic choice of the economic specialization of the peripheral municipality*

In this article the methodical aspects for the strategic analysis of the peripheral municipal economic development are considered. The analysis is carried out by the example of the Lahdenpohskaya municipal area of the Karelia Republic. The choice of the economic specialization directions while working out the program of the socio-economic development of a municipality on the basis of the SWOT-analysis and on the territorial capitalization's concept is substantiated.

Municipality, the program of the socio-economic development, the strategic analysis, economic specialization.



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In the spatial respect the contemporary economic development is characterized by a growing concentration of economic activity which forms the preconditions for the occurrence of the centers being the sources of economic growth and of the periphery essentially lagging behind in many social and economic indices [1]. In the contemporary conditions the socio-economic differentiation is connected with the structural transformation of the economy which leads to the fact that “the distance between the center as the scientific and technical progress’ generator and the periphery as the executor is kept rather steadily” [2]. These processes are intensified by the growing role of knowledge, of the local communities’ human potential and social capital, and of the non-material territorial assets.

The mentioned circumstances determine the necessity of searching the priority-driven directions of the peripheral municipal economic specialization providing their competitiveness in the developed system of the division

of labor (at the regional, the national and the international levels). In practice the necessity of the mentioned choice can be connected with working out the program of the socio-economic development of a municipality.

The considerable experience has been gained in the field of the methodical provisioning of working out the strategic plans and programs of the municipal socio-economic development. However despite of the existence of the wide spectrum of the methods, allowing to work out the strategy of the territorial development, some problems remain debatable both among the scientists and the experts. It is possible to relate the choice of the priority-driven directions of economic municipal specialization to them. The mentioned directions underlie the economic block of the program of the socio-economic development and, moreover, can determine the substance of the social block.

Within the framework of the existing practice it is possible to mark out three basic approaches. The first approach is based on the fact

* This article contains the results of the collective creative working out the Program of the socio-economic development of the Lahdenpohskaya municipal area till 2015 carried out under the direction of A.I. Shishkin.

that the developed and rather successful sectors of the local economy providing population's employment and budgetary receipts are chosen as the priority ones [3]. Its main advantage is that it relies on the existing resources and interests of the local businessmen. This allows forming the program's economic block on the basis of the projects which have already been planned by the local businessmen. First of all, it is actual for the mono-profile municipalities which economy depends on the city-forming enterprises' functioning. The basic disadvantage of such approach is connected with the strengthening of the developed economy's structure and with the limitation of its modernization's opportunities.

The second approach is based on the development of the new local economy's sectors, their structural reorganization, and the attraction of the foreign investors [4]. Its realization is actual with a view of the economy's diversity or of the searching of the new basic economic development direction providing great competitive advantages. However in this case there can be limitations connected with the absence of the resources necessary for the structural reorganization, including the human potential. For example, among such

limitations can become apparent the narrow competence spectrum of the local community and the social embeddedness of the economic activities [5].

The third variant based on overlapping the two mentioned approaches when the structural reorganization doesn't only represent the occurrence of the new sectors of the local economy, but it also represents the modernization of the existing manufactures is considered to be preferable [6]. It alleviates the social costs of the structural transformation and allows the local community and business to adapt to the new conditions.

Moreover, within the framework of the mentioned variant on the basis of the system approach there can be a combination of the "old" sectors of economy with the "new" ones therefore the unprofitable enterprises acquire new competitive advantages and are guided by more attractive markets. However in practice such combination can be embarrassed by the conflict of the business interests, and by the crisis condition of the local enterprises which are incapable to function as the system-forming ones for the municipal economy. The advantages and disadvantages of the considered above approaches are submitted in *table 1*.

Table 1. The main approaches to the choice of the municipal economic specialization, and their characteristics

Approach	Advantages	Possible disadvantages
Orientation to the developed economic structure	Predictability of the local business and the established relations Easiness of planning and forecasting Plans' self-realization Correspondence of the existing competence of the local community to the business requirements Structural unemployment absence	Low adaptability of the local economy to the outer changes Low competitiveness and crisis condition of the local enterprises High unemployment rate Insufficient taxable base Low level of the population incomes
Formation of the new economic structure	Increase of the local economy's competitiveness New workplaces' creation Budgetary receipts' growth Preconditions for the new institutes' formation Opportunities for the improvement of the manpower resources' professional skills Population incomes' growth	Absence of the necessary production factors Low investment appeal of territories "Social embeddedness" of the economic activities Opportunity of the structural unemployment's occurrence Opportunity of the interests' conflict occurrence
The combined approach	Modernization of the "old" economic sectors Evolutionary structural economic transformation Low social costs Synergetic effect	Incompatibility of the "old" and the "new" sectors of economy Manpower resources' lack Opportunity of the interests' conflict occurrence

Let's consider the process of choosing strategically priority-driven directions of the territorial economic specialization by the example of the Lahdenpohskaya municipal area of the Karelia Republic. In 2009 the Institute of Economy of the Karelian Scientific Centre of the Russian Academy of Science represented itself as the developer of the Program of the area's socio-economic development till 2015. One of the development steps of the Program was the strategic analysis and the choice of the priority-driven directions of the area's economic development.

The Lahdenpohskaya area is located in the South-West of Karelia, it borders on Leningrad region, in the West the administrative border coincides with the Russian-Finnish frontier (fig. 1).

The size of the area makes 2 210 sq. km, about 15.5 thousand people live there, approximately half of them lives in the administrative centre, in the town of Lahdenpohya. The area's infrastructure formation and settling system considerably changed at the period when the area belonged to Finland (till 1940).

On the area's territory there are two simplified check points, they are "Rustilahti – Uukuniyemi" and "Parikkala – Syuvyaoro", in the long-term prospect it is planned to create international automobile and railway check points.

The area can be referred to the category of the peripheral ones owing to its geographical remoteness from the regional capital, big settlements' and town-forming enterprises' absence in the area, and, accordingly, insufficient taxable base. In the total rating of the area's municipal formations, carried out by the Ministry of Economic Development of the Karelia Republic, for the first half-year of 2009 the area ranked last in the sphere of socio-economic development.

Nowadays the area's economic specialization is connected with the building stone extraction, building materials' production, logging and woodworking (fig. 2, 3, 4). Agricultural production in the area is rather developed as the area has favorable agro-climatic conditions [7]. However the agriculture has been in the crisis condition for a long time, and many agricultural holdings are not used in a proper

Figure 1. The Lahdenpohskaya municipal area *



Source: KareliyaStat (Karelian Statistics).

Figure 2. The number of employees working in the basic branches of economic activities, persons

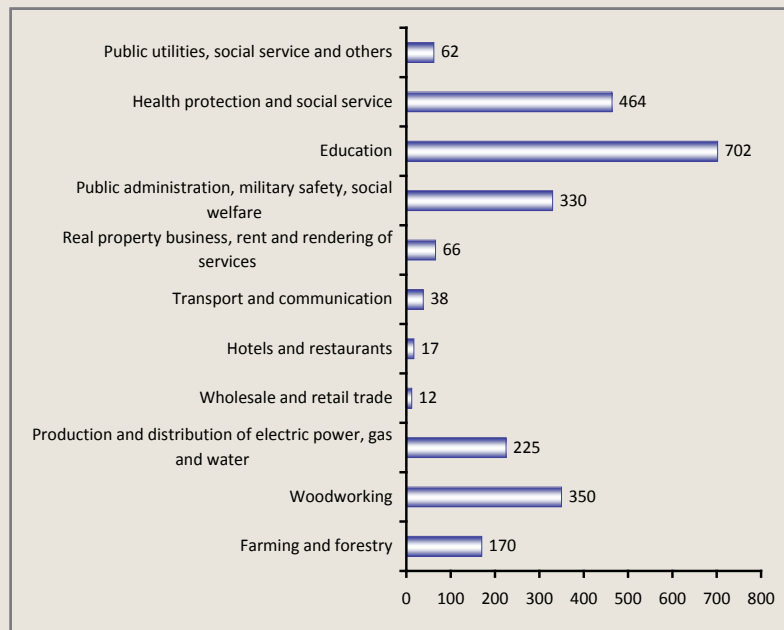
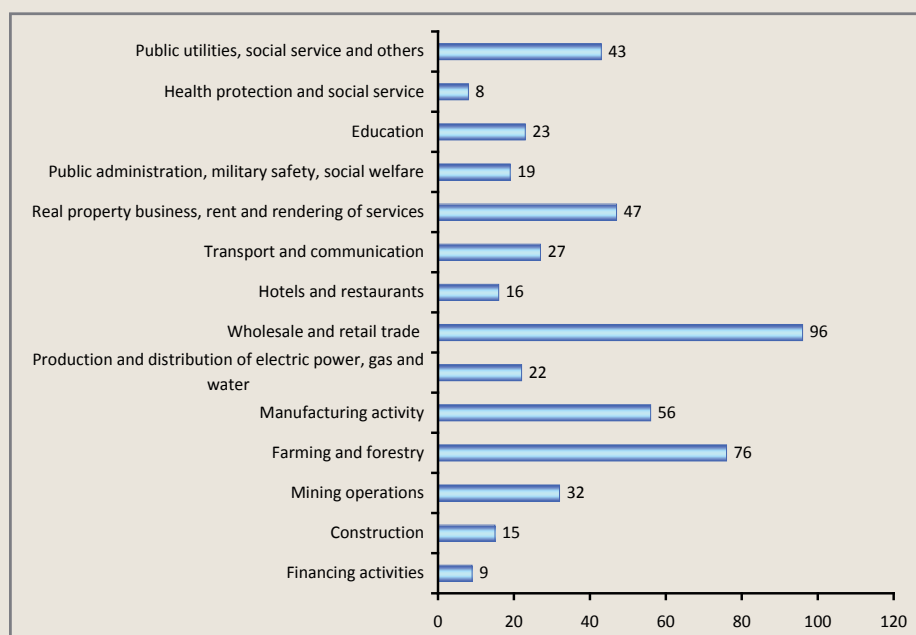


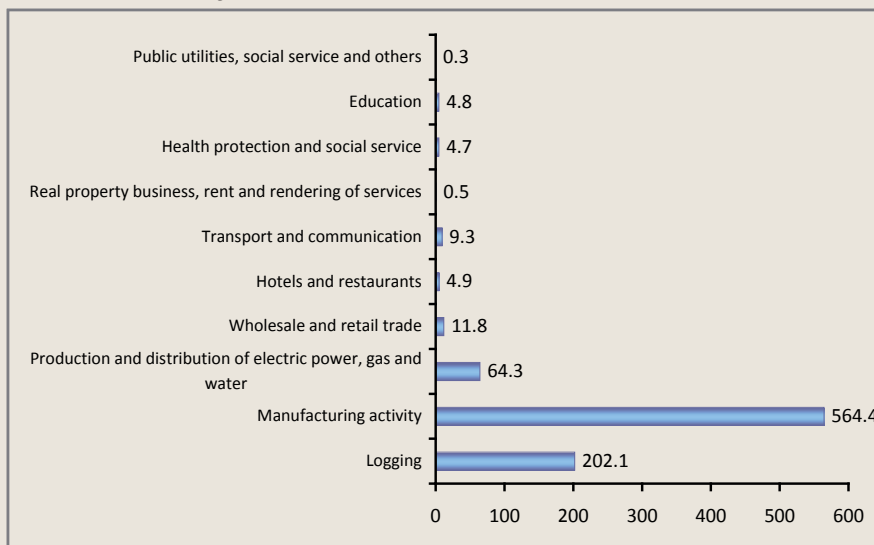
Figure 3. Distribution of managing subjects in the basic branches of economic activities, units



way. At the same time the new branch, trout rearing, has been dynamically developing, as there are favorable climatic conditions and a lot of suitable reservoirs in Karelia. Besides its geographical position and transport availability the area has one more advantage, such as nearness to the large market in Saint Petersburg.

The considerable part of the employees in the area is concentrated in the social sphere, in educational and medical institutions, state and local government institutions. For example, the greatest quantity of employees (702 persons) work in the educational sphere, 464 people work in the public health services, 330 people

Figure 4. Turnover of the organizations in the basic branches of economic activities, million rubles



work in public administration, military safety, social welfare. The mentioned fact explains the low taxable base of the municipality, and its dependence on the regional and the federal budgets. Despite the fact that the quantity of the wholesale and retail trade enterprises, registered in the area, exceeds the quantity of managing subjects in the basic branches of economic activities, the number of employees in the mentioned sector is small, and the turnover of these enterprises is much lower, than in production. The mentioned process can be caused by the presence of the unregistered employment, and also by businessmen's incomes kept back from the taxation. The greatest turnover, according to the official statistics, is provided by the processing and forest harvesting enterprises of the area.

Nowadays tourism has been actively developing in the area that is connected with its rich tourist potential and favorable location. Besides, the Lahdenpohskaya area can be defined as a recreational zone of Saint Petersburg. It can be proved by the growing interest of its inhabitants from year to year to this territory as to the rest place, and also by the cost growth for the ground areas. One of the problems in this sector of the local economy is the problem of the tourism incomes' concentration in the area as nowadays its tourist potential is used by the tour agencies which are not registered on the

municipal territory. Therefore the mentioned firms practically do not create workplaces for the local population, do not provide receipts to the local budget, but they conduct the enterprise activity, using local natural resources.

The industrial specialization of the area, first of all connected with the development of the open pits on the rubble extraction, repeatedly has conflicted with the forming recreational specialization of the territory lately that resulted in the occurrence of the conflicts of interests [8]. The area is included into the zone marked out as a perspective and an especially protected territory, the national natural park "Ladoga shhers".

Taking into account the mentioned facts, the problem of a choice of the priority-driven directions of the area's economic specialization while working out the program of the socio-economic development became fundamental. With a view of the mentioned choice the strategic analysis of the municipality's economic development was carried out. The methodical basis of such analysis was the widely used in practice of the strategic planning SWOT-analysis, and also the concept of territorial capitalization, developed at the Institute of Economy of the Karelian Scientific Centre of the Russian Academy of Science [9]. SWOT-analysis of the Lahdenpohskaya area was carried out on the results' basis at the seminar organized by the area's administration with

the participation of the experts from the local self-management administration, business representatives and population. Both the area's strong and weak points, and its opportunities and threats are represented in *table 2*.

As a result of the analysis both of the internal and outer factors it was found out that *the most important area's advantages are:*

1. Agricultural holdings' presence and agricultural production's traditions. Agricultural development can lead to solution of many socio-economic problems: unemployment, population's outflow from the small settlements, reduction of taxable base, etc. Besides, agriculture has the function of preservation of the tradi-

tional way of countrymen's life, preservation of the settling system, of environment and natural landscapes. However, nowadays this branch is in a crisis condition and its further development will demand considerable investments. At the same time there are opportunities of combination of agriculture and tourism (rural tourism), and also positioning of agricultural production as non-polluting one (foodstuff at sanatorium treatment).

2. Favorable geographical location. Nearness to the Saint Petersburg area and to Finland positively influences local economy's development and can cause investments' attraction to practically all its sectors (tourism, transport,

Table 2. Strong and weak points, opportunities and threats

Strong points
1. Historical and cultural heritage of the territory.
2. Natural-resource potential.
3. Presence of the agricultural holdings and farming industry.
4. Favorable geographical location.
5. Unique natural landscape.
6. Presence of the conditions for sanatoria creation (favorable microclimate).
7. Presence of the deep gulf and nearness to the Balaam island.
8. Conditions for the small-scale water-power engineering development.
Weak points
1. Lack of the qualified personnel at a high rate of unemployment
2. Complicated demographic situation.
3. Low level of the social infrastructure's development.
4. Insufficient development of the power, the municipal and the transport infrastructure.
5. Area's insufficient taxable base.
6. Absence of the large-scale enterprises providing employment.
Opportunities
1. International projects' realization and frontier cooperation.
2. Investments' attraction into the construction of farming industry's objects.
3. Health centers' creation.
4. Use of the modern technologies of the small-scale power.
5. Improvement of the area's transport availability.
6. Opening of the branch line to Finland.
7. Federal and regional support of the small-scale business.
8. Means' attraction for the port's construction (reconstruction) in the town of Lahdenpohya.
9. Individual construction's development.
Threats
1. Reduction of the investment activity and reduction of the taxable base.
2. Continuation and increasing of the outflow of the population (first of all youth) from the area.
3. Occurrence of the conflict of interests while realizing industrial projects.
4. Shadow angle increase in the tourist business.
5. Uncalled local staff while realizing investment projects.
6. Degradation of the rural settling system.
7. Growth of the quantity of the speculative land transactions.

agriculture, etc.), at their balanced and complex development. Nowadays the investors are interested both in the mining complex' projects and in the projects in the sphere of tourism and agriculture.

3. Presence of the conditions for sanatoria creation (favorable microclimate). The mentioned conditions allow speaking about large-scale investment projects' perspectives in this sphere that give opportunities for the complex development of tourism, and also will allow to reduce the shadow angle share in the economy and to increase local population's employment. This variant of tourism development is the most attractive since it is focused on the most effective use of the area's tourist potential, ecological risks' reduction, integrated approach of the tourist sector's development.

To the external opportunities which can seriously influence the change of the situation in the area, the following ones can be referred:

4. International projects' realization and the experience exchange with the Finnish partners. International projects, allowing to adopt successful experience, to communicate and to exchange technologies (including the organizational ones) can become the serious factor of the area's modernization and moreover, the Lahdenpohskaya area can further become the compiler of the successful experience in various spheres (business, local self-management, social sphere, etc.) for other municipalities of the republic. Transboundary projects' and organizations' creation can lead to the area's economic inclusion into international industrial and trading network.

5. Improvement of the area's transport availability. The use of the area's favorable geographical location can only become possible in the conditions of its transport availability's increase, road network's modernization, and corresponding infrastructure's development.

6. Opening of the international automobile check point and of the branch line to Finland. The mentioned project will allow raising the area's tourist appeal, to develop its transit function and accordingly will lead to the business development and to the local population's employment.

7. Individual construction's development. Further demographic situation's improvement in the area, solution of the problem of the highly skilled staff's outflow can only be possible under the condition of the housing problem's solution; individual construction's development is an optimal and attractive variant of this problem's solution.

The following most significant *external threats* have been revealed:

1. Investment activity's decrease and taxable base's reduction. In this case the area's financial opportunities on the problems' solution will be reduced at the increase of dependence on the regional budget.

2. Continuation and increasing of the population's outflow (first of all youth) from the area. The mentioned problem can become one of the most important ones in the sphere of investments' attraction, both private and state ones.

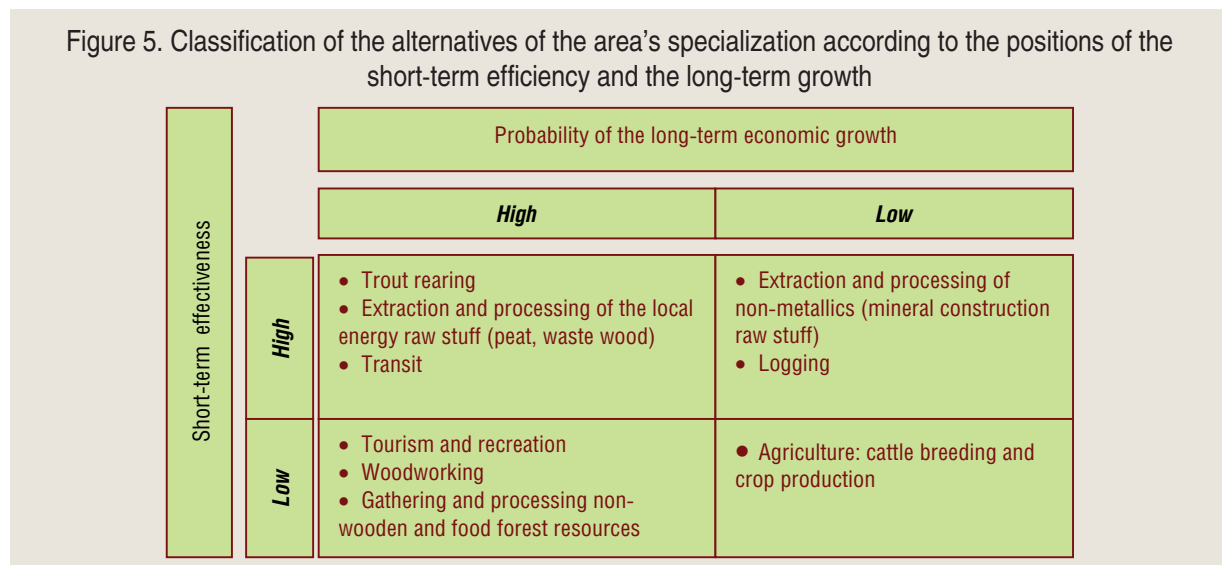
3. Uncalled local staff while realizing investment projects. Growing requirements to the employees' qualification in all areas can make local population uncalled even at the area's economic development. It results in contradiction; the high rate of unemployment is observed at the qualified personnel's deficiency.

The total result of the strategic analysis is formulated as follows:

The existing preconditions and opportunities of the socio-economic development of the Lahdenpohskaya municipal area can only be realized at the complex local economy's development based on the favorable geographical location, focused on the local community's resources, on the population's interests and ecological risks.

The analysis of the strategic alternatives connected with the priority-driven directions of economic specialization on the basis of the territories' capitalization concept showed that (fig. 5):

1. Tourism does not provide immediate development of the territory; however investments' attraction into the basic and subsidiary infrastructure is required for the mentioned branch to generate incomes and to create workplaces.



2. Nonmetallic minerals' extraction and rubble production allows to receive incomes and to provide the growth of workplaces' quantity. However, this specialization's direction is characterized by high ecological risks and can result in worsening of the local population's habitation conditions and in reduction of the tourist potential of the territory.

Specialization, which has both the short-term effect and the high probability of the development in the long-term prospect, is strategically attractive. In the Lahdenpohskaya area it is possible to refer to such directions trout rearing; and also extraction, processing and use of the local energy raw stuff. The first direction allows receiving immediate effect by virtue of the high competitiveness of the mentioned production (70% of the Russian trout are reared in Karelia) and has more potential of the prospect development. The second direction allows receiving short-term effect at orientation to the internal area's needs in energy raw stuff, and long-term effect in joining foreign markets.

To the priority-driven directions with the high potential of development in the long-term prospect, but demanding great capital investments at the initial stages, we can also refer tourism and recreation, woodworking, use of non-wooden resources and processing of food forest resources. Extraction and processing of the mineral building raw stuff, alongside with logging, are attractive for the area's economic

as the priority-driven directions of specialization only in the short-term period. Thus the mentioned directions of specialization are included into the contradiction with the tourism development and the territory's recreational functions.

Nowadays the area's agriculture by virtue of the objective reasons is not an attractive sphere for business, its long-term prospects are not clear. However the mentioned direction can function as a subsidiary one while realizing area's recreational functions (rural tourism and pollution-free production). Such variant is supported, especially by the local farmers, whom the realization of the combined approach would provide the additional income source, would allow to diverse business, to make it more profitable, and to join the level of the non-price competition at production distribution.

Thus, the choice of the priority-driven directions of the municipality's economic development is based on the following basic criteria:

1. *Economic and geographical position*: while representing the open socio-economic system, the municipality is in the constant interaction with other systems, and also with the systems of a more high level (country, region); accordingly the character and the intensity of the mentioned interaction in many respects depend on the municipality's economic and geographical position which can become its competitive advantage.

2. *Presence of the necessary resources, including labor ones*: nowadays the mentioned criterion is one of the most important since the absence or the lack of the staff with the necessary skill level can become a serious obstacle on the way of investments' attraction and local economy's development. In the modern economy not the lack of the financial resources but the quality of the labor resources becomes practically an absolute obstacle on the way of occurrence of the new directions of the territory's economic specialization.

3. *Ecological safety and residing comfort*: guaranteeing this criterion is the priority condition of the strategic choice since the population's quality of life and ecological safety provide reproduction of the socio-economic system itself, the economic development in this case is not the purpose but the means for the local community's development.

4. *Short-term efficiency and the opportunity of the long-term economic growth*: the mentioned criterion allows to estimate strategic alternatives from the point of view of both the solutions of the problems existing nowadays (for example

unemployment or insufficient taxable base), and the position of the long-term positive effects for the territory.

5. *Opportunity of combination of various specialization's directions with a view of synergetic effect's achievement*: considering this criterion require the system approach to the solution of the socio-economic problems which allows to raise the total profitability of the investment projects and, accordingly, the municipality's competitiveness as a whole on the basis of overlapping various directions of economic specialization.

In conclusion it is necessary to note, that the success of realizing the chosen directions of the municipality's economic development in a greater extent will depend on the institutional sphere, and also on the local community's consolidation in the decision of the socio-economic problems, in its attempt to participate in helping shape the future. As practice shows, the presence of the municipality's resource and recreational potential is just a precondition, but not a sufficient condition of the successful development of the local economy which, in turn, depends on the local community.

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Problems of local Government personnel quality

The article presents a generalized analysis of statistical data and results of sociological studies in the Vologda region addressing the problem of quality of local government personnel, and also shows the level of public approval of the authorities.

Local government, level of approval of authorities, effectiveness of local government.



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Local government represents one of the most important institutions of modern society. It is, on the one hand, a form of citizens' self-organization, on the other hand, it is an integral part of civil society, the level of public authority (an instrument of citizens' democratic participation in managing the common affairs) and the element of a market economic system (filling the gaps in the market of providing services to residents and coordination of economic activities) [7]. According to British researcher A. Davis, local government is "the exercise of public authority at the local level" [14].

Work on the development of local government is considered as one of the state' priorities: the Concept of long-term socio-economic development of Russia for the period up to 2020 determines that the institutional environment formation in Russia is based, inter alia, on the effectiveness of public administration and local self-government [4].

President of Russia D.A. Medvedev, speaking at the II All-Russian Civil Forum on January 22, 2008, said: "Local government should open the opportunity for citizens to solve their local problems independently without

Table 1. The number of employees of state and local government bodies per 1000 resident population, pers.

Territory	Years								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Russian Federation	8	8	9	9	9	10	11	11	12
North-West federal district	8	8	9	9	9	11	11	12	12
Republic of Karelia	10	9	11	11	11	12	13	14	14
Republic of Komi	9	9	10	11	11	13	14	15	15
Arkhangelsk region	9	9	10	10	11	12	13	13	13
including the Nenets autonomous okrug	20	20	24	25	26	28	30	32	31
Vologda region	9	9	10	10	11	12	14	15	15
Kaliningrad region	9	9	11	12	12	13	14	15	15
Leningrad region	8	8	9	9	9	9	9	9	10
Murmansk region	8	9	10	10	11	12	13	14	14
Novgorod region	10	10	11	12	12	13	15	16	16
Pskov region	11	11	13	14	14	16	17	17	17
St. Petersburg	5	5	6	6	6	7	8	8	8

Source: [Electronic resource]. – Access mode: www.gks.ru.

the guidance and orders from above” [3]. To solve this task, municipalities and all local governments require professionals who possess a spatial economic thinking, who can see the specifics of their territory’s evolution as an integral complex system capable of evaluating the socio-economic, natural resources, scientific and technical, demographic, information potential, who are able to manage innovation processes and property [14].

In light of the implementation of the Federal Law № 131-FZ of October 06, 2003, “On general principles of local self-government organization in Russia” [12] on the territory of the Vologda region 372 (after the merger in 2009 – 301) municipal entities (urban and rural settlements) were established instead of 26 that existed previously. This has actualized the task of the municipal service’s staff forming, which continues to reform within the scope the federal program of “Reform and development of the Russian Federation Government service system” (2009 – 2013) [13], approved by Presidential Decree № 261 of 10 March 2009.

Analyzing the dynamics of the personnel number employed in state and local authority bodies, we note that for the period from 2000 to 2008 in Russia it has increased by 45% – from 1.2 million to 1.7 million people [8, p. 56]. In

the Vologda region, as *table 1* shows, there is the same trend. This is due to the fact that with the transition to a two-level system (municipal areas and rural settlements) in each municipality there was to be formed its own professional staff to manage the development of the municipality.

Despite the positive dynamics of local government personnel, staff shortage is still a pressing problem for Russia as a whole: staff positions in the municipalities are incomplete till today (*tab. 2*).

This is also evidenced by the results of surveys of municipalities’ heads, conducted by the Institute for Territories’ Socio-Economic Development of RAS [5, p. 15], starting in 2007¹. This problem is mostly significant for rural settlements: one in five head appreciated the provision of local administration with staff as low and extremely low (*tab. 3*).

Municipalities urgently need qualified personnel of the municipal services. Statistics show that in 2009 more than 77% of municipal employees had higher vocational education, 21% – specialized secondary and 3% – had no vocational education (*tab. 4*).

¹ The survey of the local governments’ heads is conducted by ITSED RAS on a specially designed program that includes a list of questions covering various aspects of socio-economic status and functioning of municipalities. 258 questionnaires are received (70% of the number of questionnaires sent out).

Table 2. Staffing of state civil and municipal employees positions in the whole of Russia and the Federal districts in 2008

Territory	Executive authorities of the RF subjects		Local government with the executive and administrative functions	
	people	staffing, %	people	staffing, %
Russian Federation	200179	94.9	333487	95.9
Central federal district	57117	95.1	78188	93.7
North-West federal district	21991	94.4	28198	94.4
Southern federal district	32429	95.7	46693	97.4
Volga federal district	37512	94.4	73356	96.9
Ural federal district	15819	96.3	30411	96.8
Siberian federal district	24460	94.4	55532	96.9
Far Eastern federal district	10851	94.0	21110	96.4

Source: [Electronic resource]. – Access mode: <http://www.gks.ru>.

Table 3. Municipalities' staffing assessment (% of respondents)

Year of survey	Extremely low (0-30%) and low (40-60%)	Average (70-90%)	High (over 90%)
Urban settlements			
2006	20.0	80.0	-
2007	20.0	50.0	30.0
2008	-	56.2	43.8
Rural settlements			
2006	40.3	42.0	17.7
2007	22.6	53.0	24.4
2008	19.2	57.6	23.2
Municipal districts			
2006	40.0	40.0	20.0
2007	42.8	57.1	-
2008	11.8	88.2	-

Source: Results of surveys of municipalities' heads in the Vologda region.

Table 4. Distribution of employees acting for positions in Municipal Service of RF, by level of education

Years	Total number of employees, people	Having professional education				Not having professional education	
		higher		secondary			
		People	%	People	%	People	%
January 1, 1999	177626	91935	51.8	80749	45.4	4942	2.8
January 1, 2001	280311	158003	56.4	107074	38.2	15234	5.4
January 1, 2002	283663	169524	59.8	99608	35.1	14531	5.1
September 1, 2003	294004	190392	64.8	92108	31.3	11504	3.9
January 1, 200	300561	203661	67.8	87619	29.2	9337	3.0
January 1, 2007	343654	245390	71.4	86394	25.1	11870	3.5
October 1, 2008	367620	274512	74.7	82674	22.5	10434	2.8
October 1, 2009	364903	280597	76.9	75203	20.6	9103	2.5

Source: [Electronic resource]. – Access mode: <http://www.gks.ru>.

Total number of personnel of local governments that received additional professional training in 2008 amounted to 2.7 thousand

people, i. e. 19% of the total number of state civil (municipal) employees of relevant authorities (*tab. 5*).

Table 5. Additional vocational training of employees having state and municipal positions (according to one-time survey)

Employees having state and municipal positions, positions of state civil and municipal services in state and local authorities	Received additional professional education	
	People	% of the government (municipal) employees number
	2008	2008
Total employees	2720	18.9
Including in the bodies:		
state	2174	25.8
legislative	12	12.1
executive	2009	28.1
including:		
terr. bodies of federal ministries and departments	1624	36.5
regional	385	14.3
judiciary and prosecution services	146	13.2
other public bodies	7	7.8
local government	546	9.2
including:		
representative	13	12.0
local administration (executive and administrative)	432	9.3
control	1	5.6
other bodies	100	8.6

Source: Labor and employment in the Vologda region in 2008: bulletin / Vologdastat. – Vologda, 2009. – Pp. 111.

In the Vologda region Department of Civil Service and Personnel of the Government, together with a subsidiary of the North-West Academy of Public Service covered more than 1.5 thousand people by training in 2007. The branch trained 101 federal employees, 170 civil servants, 332 municipal employees. However, as can be seen from *table 6*, training and education is characterized by short-form, there is no proper phasing and sequencing, active methods are poorly used. This is especially true of heads of rural settlements and municipal officials at district level.

The heads of local governments recognize that their own knowledge in certain areas is not enough, and estimate the level of their skills as

“satisfactory”: only 23% of heads of rural settlements, 44% of urban and 57% of municipal districts responded that it is sufficient to manage the municipality (*tab. 7*). Moreover, despite the training and knowledge level, a significant number of governors (36%) have difficulty with the practical application of acquired knowledge.

Their lack of knowledge, as identified on the basis of the surveys, is most strongly felt in dealing with the legal and economic issues, in the field of state and municipal government, and in information technology use (*tab. 8*).

Most of the local government heads (about 72% in rural areas, 89% in urban and 55% in

Table 6. Professional development of local government in the Vologda region in 2007

Forms of professional development	Heads of municipalities		Municipal employees	
	people	% of total number	people	% of total number
Studied at the universities on specialty related to the execution of powers of the municipal office	14	3.8	332	6.2
Had a short professional development course (not less than 72 hours of training)	8	2.1	1500	28.0
Participated in the 1-2-day workshops, conferences, etc. on professional development	294	79.0	502	9.4
Received training abroad	-	-	12	0.2

Source: Reporting material of the Vologda region municipal authorities in 2007.

Table 7. The municipalities' heads evaluation of their qualification level (in% of respondents)

Reply option	2006			2007			2008		
	Urban settlements	Rural settlements	Municipal areas	Urban settlements	Rural settlements	Municipal areas	Urban settlements	Rural settlements	Municipal areas
Sufficient	33.3	20.8	50.0	50.0	22.8	68.8	44.4	23.3	57.1
Satisfactory	66.7	60.4	50.0	50.0	56.7	31.2	50.0	65.1	28.6
Insufficient	-	18.8	-	-	20.5	-	5.6	11.6	14.3

Source: Results of the Vologda region municipalities' heads surveys, conducted by ITSED RAS in 2007 – 2009.

Table 8. The municipalities heads' evaluation of municipal employees' knowledge (% of respondents)

Response options to the question: "In what area do you think there is a lack of knowledge of municipal employees?"	2006			2007			2008		
	Urban settlements	Rural settlements	Municipal areas	Urban settlements	Rural settlements	Municipal areas	Urban settlements	Rural settlements	Municipal areas
Economy	33.3	31.8	12.5	46.2	29.3	56.3	33.3	28.3	38.1
Legal issues	41.7	86.0	50.0	46.2	84.5	37.5	61.1	83.1	47.6
Personnel Management	-	8.4	-	-	5.0	37.5	16.7	8.7	14.3
State and municipal government	16.7	18.7	37.5	30.8	16.0	6.3	27.8	21.0	23.8
Information technology	41.7	37.4	37.5	38.5	44.2	50.0	50.0	34.2	33.3
Land and property management	-	-	-	-	-	-	22.2	46.2	33.3

Source: Results of surveys of the Vologda region municipalities' heads conducted by ITSED RAS in 2007 – 2009.

Table 9. The municipalities heads' evaluation of municipal employees' skill level? (% of respondents)

Response option	Years								
	2006			2007			2008		
	Urban settlements	Rural settlements	Municipal areas	Urban settlements	Rural settlements	Municipal areas	Urban settlements	Rural settlements	Municipal areas
Sufficient	41.7	17.8	25.0	30.8	15.6	12.5	42.0	17.8	45.0
Satisfactory	58.3	69.1	75.0	61.5	70.0	75.0	58.0	72.2	55.0
Insufficient	-	13.1	-	7.7	14.4	12.5	-	10.0	-

Source: Results of surveys of the Vologda region municipalities' heads conducted by ITSED RAS in 2007 – 2009.

municipal areas) estimate *the level of professionalism of municipal employees (tab. 9)* only as *satisfactory*.

Any management system should include assessment of management decisions effectiveness. In 2008 by Presidential Decree № 607 "On the evaluation of urban districts and municipal districts local authorities' performance" was adopted with a list of relevant indicators. As a separate criterion it marked "population" satisfaction of the local authorities of urban district (municipal district)" [11].

Monitoring studies conducted by ITSED RAS from 2005 to 2009 in the North-West federal district², provide an overview of the attitude

² The structure of the collection, processing and analysis of information includes a network of pollsters, consisting of the head center (ITSED RAS) and representative offices in certain regions and republics NWFD. The functions of ITSED RAS are the overall coordination of work, processing and analysis of information. Total polled 5100 respondents aged 18 years and older 400 people in each of the nine regions of the North-West federal district, in the Vologda region (control region) – 1500. The representativeness of the sample is ensured by the observance of proportions: between urban and rural populations, residents of settlements of different types (rural settlements, small and medium-sized cities), in accordance with the demographic structure of the adult population.

Table 10. Responses to the question: “How do you assess the current activities of...?”
(% of the respondents, 2009)

Region	Response option							
	Approve completely and mostly		Do not approve completely and mostly		Unfamiliar with the activity		Difficult to answer	
	Heads of the local administration	Local government council	Heads of the local administration	Local government council	Heads of the local administration	Local government council	Heads of the local administration	Local government council
Leningrad region	39.5	29.7	36.0	20.2	9.4	21.4	15.1	28.7
Republic of Karelia	22.2	23.8	57.7	47.1	7.1	10.1	13.0	19.0
Vologda region	37.0	34.1	30.7	27.5	7.7	9.3	24.6	29.1
Arkhangelsk region	27.9	18.2	37.2	35.4	6.7	11.2	24.4	35.2
Saint Petersburg	20.4	15.0	33.7	28.9	18.2	21.4	27.7	34.7
Komi Republic	26.4	17.5	41.9	30.7	8.7	18.7	22.9	33.2
Murmansk region	31.7	25.0	31.5	25.6	9.8	15.1	27.0	34.3
Novgorod region	22.3	12.8	40.8	32.5	5.0	11.3	32.0	43.5
Pskov region	21.9	14.0	25.2	20.0	13.5	21.2	39.4	44.9
Kaliningrad region	10.5	7.8	44.8	41.8	20.0	17.3	24.8	33.3
NWFD average	26.0	20.4	38.0	32.0	11.0	14.8	25.1	32.9

Source: Public opinion monitoring ITSED RAS.

Table 11. Responses to the question “How do you assess the current activities of ...?”
(position “approve completely and mostly”; % of respondents)

Authorities institute	2000	2005	2006	2007	2008	2009
President of Russia	66.0	65.4	70.0	75.3	73.4	62.9
Region’s governor	56.1	51.1	48.8	55.8	56.5	44.8
Head of local administration	45.9	41.4	39.3	41.1	44.1	40.8
Regional Legislative Assembly	30.6	34.7	35.7	39.3	40.5	34.3
Local government council (municipal, regional Duma)	28.0	33.7	34.6	37.7	37.7	35.7

Source: Public opinion monitoring ITSED RAS.

of the district’s subjects inhabitants to the work of local executive bodies. Prevailing among the inhabitants of NWFD is the proportion of those who “fully and basically do **not approve**” the work of local authorities (*tab. 10*).

NWFD regions can be divided into three groups according to the population’s estimates of the local administrations heads’ work:

– regions where the approving evaluations prevail over negative (Leningrad region, Vologda region);

– regions where the residents’ evaluations divided approximately equally (Murmansk region, Kaliningrad region, Pskov region);

– regions where the proportion of negative evaluations is more than positive (it’s the majority: Saint Petersburg, Komi Republic, Republic of Karelia, Arkhangelsk region, Novgorod region).

According to the research³ conducted by ITSED RAS, population’s estimate of the

³ The survey is conducted by ITSED RAS annually since 1999 in April and May in the territories of the cities of Vologda, Cherepovetz, and the Babaevo, Velikiy Ustyug, Vozhega, Gryazovetz, Kirilov, Nikolsk, Tarnoga, Sheksna regions. The volume of the sample is 1500 respondents. The sampling is deliberate and quota. The representativeness of the sample is provided by the following conditions: the proportions between the urban and rural populations, the proportions between residents of different types of settlements (villages, small and medium-sized cities), the proportions of the demographic structure of the adult population of the region. Sampling error does not exceed 3%. Technical processing of information is carried in the programs SPSS and Excel.

Table 12. Key statistical indicators of the authorities' approval

Power structure	2000	2005	2006	2007	2008	2009
RF President's						
The expectation	2.94	2.90	3.02	3.12	3.11	2.94
Standard deviation	0.71	0.76	0.69	0.68	0.66	0.73
Region's governor's						
The expectation	2.84	2.65	2.64	2.77	2.79	2.66
Standard deviation	0.77	0.79	0.76	0.73	0.73	0.79
Local administration head's						
The expectation	2.62	2.49	2.46	2.52	2.59	2.58
Standard deviation	0.83	0.83	0.79	0.78	0.81	0.83
Regional Legislative Assembly's						
The expectation	2.50	2.45	2.50	2.60	2.68	2.60
Standard deviation	0.77	0.80	0.74	0.71	0.71	0.77
Government council's (municipal, regional Duma)						
The expectation	2.48	2.47	2.47	2.53	2.58	2.55
Standard deviation	0.83	0.83	0.78	0.76	0.78	0.81

Source: Public opinion monitoring ITSED RAS.

power structures of regional and local levels in the Vologda region for many years is lower than the evaluation of the federal authorities. Thus, the proportion of people endorsing the local administration heads' work and local government councils is less than 50% (*tab. 11*).

The conversion of qualitative characteristics of the people's approval of the power structures to a quantitative four-point scale (1 point – do not fully approve, 2 points – basically do not approve, 3 points – mostly approve, 4 points – fully approve) allowed evaluating not only the level of approval, but the degree of consensus towards the authorities. The calculation results showed that in the period from 2000 to 2009 the level of approval of the government institutions has increased, as evidenced by the increase in the expectation⁴ (*tab. 12*), primarily in assessing the work of the government councils and heads of local administration. Besides the differences of population's opinion are much higher in the estimates of local government than in the regional and federal authorities, as confirmed by high values of standard deviation.

⁴ The population mean is an average value, the most common characteristic of the centre of grouping of values of a random variable. The Srednekvadratichesky deviation is a characteristic of degree of dispersion of a random variable, an average deviation from the centre of grouping of values.

One reason for the low level of the local government approval is, in our opinion, a very low level of the population's awareness on the Local Government activities: survey results show (*tab. 13*) that only 7 – 14% of the population consider themselves fully informed.

Most of the region's inhabitants have partial information about the activities of management structures, while a quarter of the inhabitants of the region are not completely informed about their activities. Increasing awareness of citizens in local government's activity increases the level of confidence in government, forms an active life position of the population, and reduces social tensions. Not accidentally, one of the priorities for improving local government's effectiveness is its openness and close authority's collaboration with civil society [4].

The municipality management development effectiveness monitoring held by ITSED RAS during several years in the city of Vologda, shows that *the majority of the population is dissatisfied with the moral status of the urban government staff*. The population sees them primarily as people for whom the authority is the most important thing (22% of respondents) and the privileges given by this authority (23%). While

Table 13. Responses to the question: "Are you enough informed about the activities of local government bodies?" (% of respondents)

Response options	Date	Vologda	Cherepovets	Districts	Region
Fully informed	June 09	14.0	8.4	8.1	9.6
	August 08	7.1	14.1	9.4	10.1
Partially informed	June 09	60.8	71.1	66.6	66.3
	August 08	57.1	64.4	66.4	63.7
Not informed	June 09	24.4	20.5	25.3	23.9
	August 08	35.4	20.7	23.7	25.7
Difficult to answer	June 09	0.8	0.0	0.0	0.2
	August 08	0.3	0.8	0.5	0.5

Source: Public opinion monitoring ITSED RAS.

Table 14. City dwellers' opinion about Administration employees in Vologda (% of respondents with the exception of 'difficult to answer' response)

Indicators	2003 – 2004 (average)	2005 – 2006 (average)	2007	2008	2009
These are educated, competent specialists	10.1	6.3	5.8	7.0	6.9
These are people who care about the welfare of the city's population	8.6	6.7	6.8	5.9	5.5
These are organizers-practitioners, who can work with people	8.9	11.3	2.9	10.8	11.8
For these people the main thing is the power	21.5	29.5	23.8	19.6	22.3
These are people that are concerned about their privileges only attitudes	26.4	19.8	29.9	20.3	23.0
These are defenders of the "old", pre-reform	1.4	2.7	2.6	3.1	5.5

Source: Development of ways of socio-economic development effectiveness increasing of the Vologda region in crisis: report / ITSED RAS, 2009.

the proportion of people who believe that the city administration officials are concerned about the welfare of the population accounts for only 6% (*tab. 14*). However, the proportion of citizens, characterizing the members of the administration as the practitioners-organizers and experienced in working with people is increasing every year.

It appears that this situation may be quite typical for many Russian territories.

In modern conditions management personnel's professional competence becomes determining. Social competence and high qualifications should be at the heart of the modern Russian municipal official's professionalism. It is obvious that if the clerk knows his business, shows composure and efficiency in the performance of official duties, his work is estimated by the population at the true worth and maintains the authority of the entire local government body.

By virtue of national characteristics and differences in the level of economic development each country has its own image of the ideal manager (*tab. 15*).

In Russia which set the task of transition to an innovative way of development, the demand for executives of a new type will continue to grow [15]. The most important characteristics of these executives are the following qualities:

- commitment to continuous innovation;
- readiness for processing and evaluation of information as a permanent component of the work;
- ability to operate in extreme conditions, to make non-standard decisions, to analyze problems;
- inclusion in the system of continuous education;
- willingness to mix personal and group interests, establish contacts within their group and with other groups;

Table 15. Comparative characteristics of managers' professional qualities in different countries

Countries	Good manager's most important qualities
USA	Development of mind, honesty, consistency, possession of technique, breadth of knowledge, availability, sociability, character integrity, leadership, ability to delegate authority, speaking skills, ability to make decisions, hardness, ability to concentrate, ability to educate, sense of humor, ability and desire to listen, objectivity, organizational skills.
Great Britain	Ability to delegate power, communication, accessibility, ability to listen, authoritative, competence, possession of technique, honesty, firmness, interest in people, positivity, resolution, humor, breadth of capabilities, efficiency, friendliness, diligence, sociability, specialty knowledge, the lack of indiscretion
France	Abilities and skills of interpersonal communication, originality, experience, technical competence, authority, appearance
Finland	Assertiveness, including aggressiveness (in the positive meaning), purposefulness, striving to achieve the goals, completing the started business
Japan	Energetic initiative and determination, including risky conditions, long-term vision and flexibility, open-mindedness, global approach, ability to correct personnel placement and fair sanctions, willingness and ability to listen to others' opinions, personal charm, use of an open management style, welcoming cooperation, ability to form clear objectives and aims
Russia	Responsiveness, attentiveness, politeness, technological literacy, will, perseverance, determination, intelligence, quick-wittedness, and organizational skills

Source: Sutovich, E. Manager's professionally significant qualities. View yesterday and today [Electronic resource] / E. Sutovich. – Access mode: <http://www.nestor.minsk.by/sn/1999/31/sn93110.html> (15.01.2010).

- initiative and entrepreneurship;
- combination of technical and humanitarian culture;
- professional, qualification, geographical mobility.

In the characteristics of the new type managers the following qualities are observed:

- availability of innovative strategic thinking;
- ability to influence the relationships of many people and structures;
- skills in managing mixed teams of representatives of various sectors and groups;
- high level of work with information and communication in virtual space.

Another important competency which is urgently required in the structures of power and relevance of which becomes more pronounced, is the ability to work under time constraints [2].

Thus, in the sphere of local government there is a lack of personnel (almost one in five head appreciated the provision of local administration with staff as low and very low). In

addition, the professional level of the local government staff, according to research data is insufficient to effectively address the issues of local importance (only 23% of rural settlements heads responded that they have appropriate qualifications). Lack of necessary knowledge and skills of municipal employees leads to low efficiency of management decisions and, consequently, to decrease of the local governments' authority in the eyes of the population.

Studies conducted on the territory of NWFD show that the level of approval of the local government in the regions is rather low. Now the real system of local government is seen by most of the population as the form of official authority, rather than the form of democracy, initiated by citizens.

Consequently, the problem of municipal managers' preparation and the personnel reserve formation require increased attention from the state and civil society.

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The housing policy problems on the local level

The article covers the local government's capacities and limitations on the matters of forming of its own housing policy in a municipality's territory. The paper contains the analysis of legislative framework within the scope of which some local authorities may realize their housing policies. It is proved that on the local level especially in Russia's small towns the local government's capacities for efficient housing policy are restricted.

Local government, housing policy, small towns.



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The participation of local authorities in forming and realizing of the housing policy in municipalities' territory is fixed by the legislation of the country. The principal regulatory enactments determining this participation are FL-131 "On the general principles of local government organization in the Russian Federation" [3] and Housing code of the RF [1]. According to FL-131 the local affairs in the field of housing sphere development and the objectives of housing policy are the following (Articles 14 and 16):

- provision of the low-income citizens who live in settlement / urban district and need in improvement of housing conditions with home accommodation according to housing legislation;
- organization of construction and maintenance of municipal housing stock;
- arrangement of conditions for house building.

Under the logic of these articles the foreground task of local housing policy is provision of the low-income citizens with home accommodation at the expense of giving them the accommodations which belong to the municipal housing stock. It means that such stock must be social one, i. e. it is given only to those who

can't solve their housing problems by themselves because of their financial situation, and this stock must have some necessary elements of comfortable dwelling as well and at the same time the upkeep costs for maintenance and repair must be minimum. The requirement of low costs for maintenance and repair of such accommodation is conditioned by both low income of dwellers themselves and need to subsidize their costs for upkeep of housing stock from budget.

How important is the municipal housing stock with a view to its weight in the total volume of housing stock? The share of municipal housing stock in whole in Russia is only 12.5%, and in the future it will probably be reduced to 10% having regard to the prolongation of term for free privatization of accommodation. At the same time the differentiation of regions depending on their level of municipal housing stock can make up as much as 3 times. So in the regions of the North-West federal district the share of municipal housing stock is still considerable in the total volume of housing (*tab. 1*) and it won't probably be reduced considerably.

For the North-West federal district the volume of municipal housing stock will make up about 18 – 20% in general, and in some regions,

Table 1. Housing stock structure by the forms of property in 2008 [6], in per cent

	Private	State	Municipal	Others
Russian Federation	82.4	4.9	12.5	0.2
North-West federal district	75.7	9.2	14.7*	0.4
Karelia Republic	63.8	4.6	30.4	1.2
Komi Republic	70.8	2.5	26.7	-
Arkhangelsk region	70.2	2.2	27.2	0.4
Vologda region	81.1	1.3	17.0	0.6
Kaliningrad region	78.7	2.8	18.5	-
Leningrad region	77.5	2.4	20.0	0.2
Murmansk region	70.2	3.2	26.5	-
Novgorod region	83.4	1.6	13.1	1.9
Pskov region	75.5	2.5	20.0	2.1
Saint Petersburg	77.2	22.8	-	-

* Whereas the city of Saint Petersburg is the city of federal importance, this figure includes both the stock belonging to the federal authorities and the stock belonging to the city directly, i.e. the municipal stock. Considering that the share of Saint Petersburg's housing stock in the total volume of the North-West federal district is rather large – 42% (in accordance with the data in 2008), so the actual volume of municipal housing stock in the North-West federal district is about 20%.

in the Karelia Republic, the Komi Republic, the Arkhangelsk and Murmansk regions in particular, it can remain at the level of 25% out of the total volume of housing stock.

Thus the issues of effectiveness of the municipal housing stock as a tool of government's housing policy will be still important for many regions for a long time.

It is of interest to consider if the today's nonprofit housing agrees with the social housing concept. It is historically established that the nonprofit housing is inhabited by both the low-income people and the people with rather high income. The previous housing legislation established the right of life tenancy of accommodation, and it holds true in the current housing code of the RF [1]. Although now the living accommodations in the municipal housing stock can be given only to the people of low-income, later the change of their property status as well as their family composition have by no means an influence on their title to room. It means that the municipal housing is given as life tenancy, not as temporary possession (rented dwelling).

Besides that the well-established mixed structure of property in the residential houses resulted in the fact that the municipal housing stock had both the houses of low operational

costs and the houses of high costs. It leads to the increased expenditures from budget to subsidize the “rent” for the low-income people. So the municipal housing concept and the social housing concept are different. In fact, there is no social housing stock in the country, i.e. the stock meant for people of low-income or people from other socially unprotected group¹.

Owing to the right of actually life tenancy of accommodation the available municipal housing stock is decreasing, and the provision of needy citizens with accommodation is fictitious, there is no construction of any new houses. It is necessary to have budgetary financial resources to build such social housing. If in the large towns the municipal housing stock can be formed by appropriating money at the expense of higher budget receipts in whole or by allocating some defined municipal share in the private construction, the small towns are deprived of these opportunities. In fact this direction of housing policy can be realized only with putting on a wide construction by obtaining funds from better provided population in the municipality.

¹For example such people are pensioners who can have comparatively high level of their pension but it is enough to buy their own housing. Another example is the housing stock for the disabled, i. e. the housing stock which meets their needs for accessibility and serviceability.

Proceeding from the above the priority task of housing policy on the local level is to be “creating favourable conditions for housing construction” and not provision of the low-income citizens with home accommodation. This direction of housing policy is closely connected with other local problems (*figure*), and it is a part of general program on the municipality’s social and economic development.

The local matters of land policy are the following (Article 14-16 FL-131):

- approving of the overall plans of settlement / urban district and the rules governing land use and site development;
- approving of the documents for territory planning based on the overall plans of settlement / urban district;
- granting of the permission for building and for putting the projects into operation when building, reconstructing, overhauling of the capital construction projects situated in the territory of settlement / urban district;
- approving of the local standards for architectural planning of settlement / urban district;
- land reserving and withdrawing for municipal needs including by means of repurchase within settlement / urban district;
- land control over the land use in settlement / urban district.

As a matter of fact all these matters are the items of housing policy in the field of “creating favourable conditions for housing

construction”. It means that the realization of the tasks in the field of municipal land resources management is a necessary condition for implementation of the local housing policy. The policy as to lands of settlements and their forward development must conform with the purposes of housing policy and facilitate its implementation.

Municipalities can administer both active and passive land policy:

an active land policy means that municipality plans and prepares the plots of land for site development and sells them collecting revenue and forming the municipal fund to buy new plots of land and to finance the construction and the infrastructure. As a result of that the settlement appeal and the volume of taxation increase.

A passive land policy consists in the lack of firm and coordinated actions of local authorities and in their participation in regulating of land relations from time to time. Such policy leads to the fact that the settlement structure is scattered and the costs for infrastructure increase. The settlement appeal is reduced and the population move to more favourable settlements nearby. It leads to the reduction of local budget revenue and to the increase in its expenditure.

The land policy of municipalities is connected first of all with the lands under apartment block. The rationally planned residential

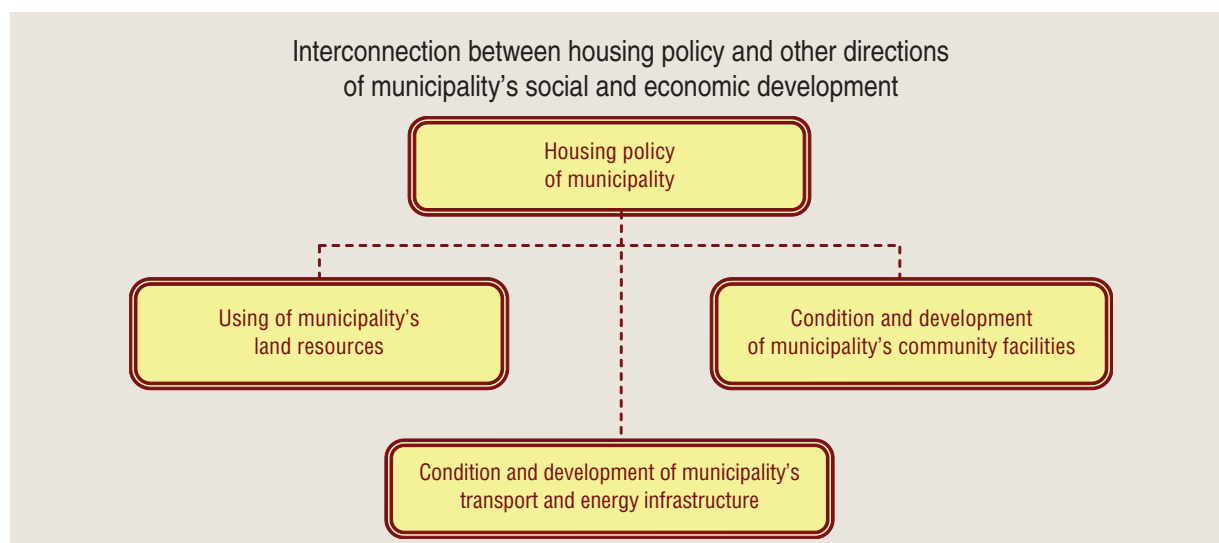


Table 2. The dynamics of communal public service volume per capita [6]

	2000 to 1995, %	2005 to 2000, %	2008 to 2005, %	Reference data: 2008, roubles
Russian Federation	396.0	497.1	171.9	5043
North-West federal district	328.0	557.6	166.0	5740
Karelia Republic	295.1	562.4	134.9	4664
Komi Republic	365.0	607.4	180.9	6419
Arkhangelsk region	266.4	648.9	168.7	4345
Vologda region	362.0	759.6	193.0	5733
Kaliningrad region	388.3	534.0	154.5	5478
Leningrad region	266.3	696.1	183.4	5948
Murmansk region	335.0	708.8	159.5	9850
Novgorod region	274.3	644.5	142.8	4214
Pskov region	336.1	510.8	203.7	4161
Saint Petersburg	344.6	450.2	156.5	5826

area itself is attractive for dwelling, and it is one of the factors of population growth and consequently the source of increasing in the local budget revenue.

The development of municipality's communal, energy and transport infrastructure also must accord with the housing policy priorities and with the needs of adopted urban-building plans. In the municipality the development, updating and reconstruction of generating capacities depend on the needs of both the population and the business. The main form of organization of power enterprises and infrastructure is a profit-making form which is partly regulated by the government on the regional and federal levels. So the local authorities cannot have a serious influence over the energy sector development in the municipality. Their impact comes to nothing more than allocating the plots of land and connecting some new consumers to the power grids, the latter is mentioned in the Land Code of the RF ².

Another housing policy task is "financing and co-financing of overhaul repair of houses" (Articles 14, 16 of FL-131), including the op-

² Subsec 2.1 of the Article 30 of the RF Land Code says about giving of the plots of land on the condition that the technical regulations of "connection to the engineering maintenance networks and the charge of connection to the engineering maintenance networks" are defined. Since at present the utility enterprises are private in fact and moreover they are affiliated with town administration, so they have an opportunity to influence over the financial and time costs of new energy consumers.

erations connecting with increase of energy effectiveness in the houses (in accordance with the local governments' powers to solve the local problems (subsec 8.2 of Article 17 of FL-131³), it is very urgent under the costs of households for resources supply of their houses are increasing (*tab. 2*).

For example, in the North-West federal district the volume of resources consumption of housing stock is going up steadily (see table 2), and it is still a considerable part of households' costs.

The annual growth rate of communal public service per capita from 1995 to 2000 was 120 – 130%, from 2000 to 2005 it was 140 – 150%, and from 2005 to 2008 it was reduced again up to 120% on the average.

As a rule, about 50% of cost of the provided communal public service go to heat supply of housing stock.

The works connecting with energy saving are worth to do only after the energy saving standards have been worked out, and that is provided by Federal law "On energy saving..." [4]

³ According to this item introduced by the FL №261 "On the energy saving and on the increase of energy effectiveness and on the introduction of changes in certain legislation decrees of the RF" [4], the local government has the authority to "approve and implement the municipal programs in the field of energy saving and increase in energy effectiveness, organize the energy inspection of block of flats where the accommodations are municipal housing stock within the municipality, organize and assume other measures provided for by the energy saving laws and energy effectiveness laws".

adopted at the end of 2009. At the same time the fact that the financial funds are allocated to overhaul including the works connecting with energy saving by the federal and regional budgets in accordance with the law FL №185 “On the Fund for promoting...” [5] before the proper standards are adopted can lead to the unreasonable expenditure of both budgetary funds and people’s means. Since this law doesn’t provide for obligatory participation of local budget in financing of overhaul repairs of housing stock, the local authority has nothing more than organizational and information functions. Such optional participation of local budget in overhaul repairs leads to the fact that the municipality is able not to pay for the share that goes to the municipal housing stock, and thereby breaking the Housing code of the RF. The overhaul repair costs are imposed on either the regional budget or the tenants of the municipal housing stock. In the latter case one can say again that the municipal stock isn’t the social one and doesn’t have any social function.

We have already noticed about the economic inefficiency of the current works connecting with energy saving. It consists in potentially unreasonable costs of households because there are no required inspections of housing heat loss particularly and technical justification of necessary measures to attain the acceptable level (standard) of energy saving and energy costs.

Another issue of economic efficiency of the current works connecting with energy saving is the established energetic and communal public infrastructure. In particular the heat supplying enterprises in small towns are local monopolists as a rule. They have some minimum engineering performance standard of generated heat, i. e. the heat plant mustn’t supply less than this heat volume. Meanwhile as these enterprises are profit-making ones, so they have some threshold of profitability, and they also can’t fall lower than this threshold and the latter is higher than the engineering performance standard. By this time many heat plants in small towns keep their balance at the threshold of profitability, because all possible

measures to minimize the costs without updating investments have already been taken. Under the circumstances the total increase in heat consumption by housing stock will lead to the need for increase in the tariffs and there won’t be any economic effect of heat saving. It is possible to change this situation only by tight control over local monopolists, economically enforcing them to invest in the updating and reconstruction of energy enterprises. Since the main anti-monopoly control is concentrated at the regional and federal level but not at the local one and the key condition of their consent to raise the tariffs is “economic justification” (and in the case at issue the tariffs are justified, of course), the economic result of these programs for population is seen to be non-positive for the time being. Under the conditions of step-by-step implementation of the energy saving program the short-run gain will be given only to that part of population who will be the first to assume some energy saving measures, at the same time another part of people will incur some increased costs for maintenance of obsolete infrastructure, the energy supplying and public communal enterprises will impose these costs on them.

The transport infrastructure of municipalities also fails to keep up with the population’s growing needs. The transport problems solving (road network expansion and extension, car park making, public transport development etc.) is different in large and small towns, in historical centers and outskirts. The local authorities’ housing policy has a great influence over them. The town-planning decisions which ignore the changes of population’s needs for both the transport infrastructure and the town residential area can lead to the decline of municipality appeal and its competitive ability. In the present residential area it’s very difficult or impossible to solve any transport problems because of both the building requirements and the requirements to create environmentally friendly zone for living. As for the towns that don’t have large areas with historical buildings the condition for changing of their transport

infrastructure is an implementation of programs on comprehensive development and demolition of dilapidated housing. But such changes also demand heavy financial resources which don't exist in small towns.

Thus the local authorities' housing policy cannot be comprehensive because it depends heavily on the decisions and financial support of state authorities – federal and regional ones. As a rule the local housing policy is concentrated on the following directions:

- approving of urban designs,
- allotting of lands for house building on a competitive basis,
- fixing of charge for connection to the public service infrastructure,
- working out of town programs on overhaul repairs, energy saving etc.

Such participation of local authorities in the development of housing stock and municipality's residential area isn't enough under the deep crisis of housing and communal services. The financial question as it is one of the most important problems for the housing estate development but some institutional decisions will be able to improve the financial situation as well as the situation on the whole.

First of all it is necessary to combine the municipal housing concept and social housing concept, to make the demands for those who live in the municipal houses tougher and to take the nonprofit housing out the houses of high running costs by on-selling. In the future it is economically sound to build the municipal social housing just for unprotected sections of

the population without scattering it about all houses. As the experience of large towns shows, when people having different income levels live in one house it leads to the deep social conflicts and the lack of adequate finance to support the housing stock.

Another way out of the present crisis is an active land policy which implies that the municipality plans and makes the plots of land ready for building and sells them. So it collects revenue and raises the town fund to buy some new land parcels and to finance the construction and the infrastructure. As a result the settlement appeal rises and the tax volumes grow.

The rise of new construction appeal for high income and average income sections of the population in small towns is achieved by nulling of the charge for connection to the public service infrastructure, planning of the plots for integrated development, giving of such plots to the individual developers without any competitions and auctions which raise the price of construction. These affairs are also under the jurisdiction of municipalities, and that yields some solid growth of revenue for the long period of time thanks to the refusal of lump-sum payment in the local budget.

Besides that without creating of new housing stock it is impossible to solve the dilapidated and dangerous housing problem which is urgent for many towns in Russia. The use of differentiated approach based upon the households' financial resources as well as the transfer to the nonprofit forms of financing of new construction will help to solve this problem too.

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SOCIAL DEVELOPMENT

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Investigation of food supply in the Vologda region

The article proposes approaches to assessing the physical and economic access to food, and an assessment of the average food consumption in the Vologda region, taking into account the differentiation according to income. Trends in food consumption in urban and rural households are considered. The results of the population's effective demand for basic foodstuffs study are given.

Food provision, physiologically based nutritional standards, physical accessibility of food, average per capita consumption of food, population differentiation by income level, purchasing power of per capita income, economic accessibility of food.



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One of the most important components of economic security of any state is food security, because the need for a utilitarian means of subsistence, such as food, clothing, and shelter is constant and these needs must be trivial, reliable, stable and smooth. This is considerations of social stability and security that make all developed countries to regulate the situation on the food market, supporting the buyers' purchasing power of food and providing support to their agricultural producers.

The problem of ensuring food security in Russia needs to be solved objectively, not only nationally but also at the regional level, due to significant differences between food pro-

duction and demand for it on the territory of Russia, distinguished by the diversity of natural and climatic conditions, uneven placement of industrial and economic capacity, social infrastructure, features of consumer preferences and income of the population. Thus, the study of characteristics of production and consumption of food in the individual territories will build up an individual concept of food security in the regions producing and consuming food. It will also allow creating a strategy of increase food security, which, addressing the goals and objectives of food availability, will also be a part of a national strategy, maximizing competitive advantages in the region.

The concept of a healthy diet involves the quality, safety, and physical and economic accessibility of food. Providing the region's population with food of sufficient quantity and variety is a problem that includes a range of issues of food production, conjunctures of global, national and regional markets, competitiveness and ability to pay of the region's population, income level and population's structure of nutrition, social state and local governments policy.

The vast majority of food security issues researchers highlight the need for physical and economic access of population to sufficient, safe and nutritious food to meet its nutritional requirements of specified quantity and quality and enable it to lead a healthy and active lifestyle.

From this definition it follows that the problem of food supply has at least two aspects. The first is the physical accessibility of food for all segments of the population throughout the region, regardless of residents' place. This implies an uninterrupted flow of food from the place of production to end-users. Physical accessibility means addressing the complex of strategic challenges, primarily with the organization of sufficient food production in the region and its unhindered movement within the country and

between countries. Fundamentally important aspect of this problem is the region's capacity to meet the needs for basic food products at the expense of domestic production (*tab. 1*).

The Vologda region's enterprises produce a wide range of basic foodstuffs. The following positive trends should be noted: sustainable production of meat and meat products, sausages, confectionery and dairy products, canned food, linseed oil and product preservation. Given that the production of agricultural raw materials is substantially behind in terms of growth, and in some areas there is a reduction in output (e. g., cattle and pigs meat), it becomes evident the need for deeper processing of available raw materials and a decline in the export of raw materials outside the region that will assist increase the region's food security.

However, over the period under study, average consumption of basic foodstuffs in the Vologda region has undergone significant change, both quantitatively and qualitatively. Historically, meat, milk, fish, vegetables and fruits have been and remain the basic and essential food. In their energy and nutritional value they are significantly superior to other types of food, providing the body essential trace elements and vitamins. And these food groups are "at risk"

Table 1. Production of basic food at enterprises of the Vologda region, in % to the previous period*

Type of food	Years					
	1995	2000	2005	2006	2007	2008
Bread and bread products	84.0	92.4	98.0	94.4	98.8	96.1
Pasta	46.0	72.8	75.6	51.6	87.3	110.2
Vegetables and melons	143.0	97.5	109.0	100	100	100
Potatoes	218.0	79.0	129.0	100	97.1	105.9
Meat and meat products	95.0	103.0	97.3	103.9	98.1	101.9
Sausages	84.0	115.6	105.6	108.3	107.5	101.5
Whole milk products	92.0	109.6	104.1	103.7	104.0	96.0
Butter	8.0	98.3	101.2	111.6	95.5	104.2
Cheese and curd	68.0	101.4	131.3	99.3	98.8	87.6
Fish catch	...	111.4	95.8	87.2	100	58.7
Vegetable, flaxseed oil	-	-	-	-	3.5 times	116.4
Confectionery	74.0	143.5	112.4	98.6	100.1	103.8

* The data presented describe the overall food production in the enterprises of the region, without allocating a share of products manufactured from imported raw materials.

Table 2. The level of per capita consumption of basic foodstuffs in the Vologda region, kg/year (based on sample survey of households)

Type of food	Years						
	1991	1995	2000	2005	2006	2007	2008
Bread and cereal products	114	106	116	128	120	114	115
Potatoes	97	122	125	98	95	95	93
Vegetables and melons	69	77	89	99	102	105	103
Berries and Fruits	31	26	26	53	61	67	72
Meat and meat products	63	53	49	70	70	71	75
Milk and milk products	404	288	213	272	278	273	270
Eggs, pcs.	228	180	220	252	259	263	259
Fish and fish products	14	10	14	21	19	21	22
Sugar and confectionery products	34	34	34	49	45	43	42
Nutritional value, g / day							
- protein	...	63	64	79	78	77	79
including animal protein	...	...	32	44	44	44	46
- fats	...	78	87	111	111	110	112
- carbohydrates	...	369	392	452	427	414	411
Caloric value, kcal. day	2731	2440	2615	3136	3025	2966	2978
including products of animal origin, in % of total energy value	35.0	30.5	24.7	25.5	26.5	27.1	27.9

Table 3. Consumption of basic foodstuffs in% of norm, by 1 consumer per year (based on sample survey of households)

Type of food	Norm	Years						
		1990	1995	2000	2005	2006	2007	2008
Bread and cereal products	110	100.9	96.4	105.5	116.4	109.1	103.6	104.5
Potatoes	118	82.2	103.4	105.9	83.1	80.5	80.5	78.8
Vegetables and melons	139	48.2	55.4	64.0	71.2	73.4	75.5	74.1
Meat and meat products	81	81.5	65.4	60.5	86.4	86.4	87.7	92.6
Milk and milk products	392	101.5	73.5	54.3	69.4	70.9	69.6	68.9
Eggs, pcs.	292	74.7	61.6	75.3	86.3	88.7	90.1	88.7
Fish and fish products	25	60	40	56.0	84.0	76.0	84.0	88.0
Sugar and confectionery products	41	85.4	82.2	82.9	119.5	109.8	104.9	102.4

because their consumption is either at the level of biologically necessary standards or significantly lower, which confirms the steady decline in the share of energy value of diet, which is made up for products of animal origin (*tab. 2*).

Currently, the region's average citizen consumes (with respect to the biological norm), about 90% of meat, slightly less than 70% of milk and dairy products, about 80 – 90% of the demand for fish and fishery products (*tab. 3*). There is excess in the consumption of bread and cereal products, i.e. those kinds of food, which remain the most accessible to the low-income groups. Consumption of eggs, despite the poultry growth in the Vologda region

remains at 10 – 15% below the physiological norm. Comparison of food consumption per capita in the Vologda region and the North-West federal district confirms this trend. The population of the region where agriculture has traditionally specialized in animal products consumes 8% less milk and dairy products than the average in the North-West region, however even in the 1990s this figure was 4% higher than the average for the District.

The consumption of meat only in the last three years exceeded the average, primarily due to growth in production and consumption of poultry meat. The region's residents consume less fruits and berries. The level of vegetables

Table 4. The level of per capita consumption of basic foodstuffs in the Vologda region, kg/year (by the balance of food resources)

Type of food	Years						
	1991	1995	2000	2005	2006	2007	2008
Bread and cereal products	140	132	118	128	125	125	126
Potatoes	116	217	194	144	139	138	121
Vegetables and melons	64	75	120	134	139	173	117
Meat and meat products	71	57	44	55	58	62	66
Milk and milk products	369	264	235	229	239	237	245
Eggs, pcs.	310	257	229	300	307	297	288
Fish and fish products	15.4	10	9	13	13.1	13.7	14.5
Sugar and confectionery products	36	32	33	36	38	39	42

Table 5. Consumption of basic food products (in % of the norm, for 1 consumer per year; by the balance of food resources)

Type of food	Norm	Years						
		1991	1995	2000	2005	2006	2007	2008
Bread and cereal products	110	120	107	116	113	114	115	120
Potatoes	118	184	164	122	118	117	103	184
Vegetables and melons	139	54	86	96	100	124	84	54
Meat and meat products	81	70	54	68	72	77	81	70
Milk and milk products	392	67	60	58	61	60	63	67
Eggs, pcs.	292	88	78	103	105	102	99	88
Fish and fish products	25	40	36	52	52	55	58	40
Sugar and confectionery products	41	78	81	88	93	95	102	78

consumption is slightly higher than the average for the North-West federal district, but it is achieved mainly through field vegetables of own production.

Even lower level of consumption of basic foods is recorded on the basis of food balance sheet. When the above trends are saved, the indicators of the region's population consumption of basic foods are much lower (*tab. 4, 5*). Thus, amid a general decline in consumption of bread and bakery products during the analyzed period, exceeding the standards is consistently maintained at 15 – 20%, consumption of vegetables varies greatly by periods, with periods of underconsumption of this group are practically the same (with some lag) with the periods of real incomes reduction.

Particularly visible are the differences in a group of products that provide the body's need for animal protein as main construction material. Thus, in contrast to the results of a

sample survey of households, according to the balance of food resources, the inhabitants of the Vologda region consume meat less than 80% of normal, of fish and fish products 40%, etc., that show a significant upward bias of actual consumption basic food products on the basis of the results of sociological research.

However, the physical accessibility of food is necessary but not sufficient condition for food security. The main types of food (constituting a basic food basket at least), must be economically accessible to all categories of the population within a physiologically based nutritional standards. This ensures a proportional correspondence between the per capita cash income and the cost of the food basket. Cash income includes wages, pensions, allowances and other social transfers, property income from interest on deposits, securities, income from entrepreneurial activities, grants, insurance reimbursement and other income (including

Table 6. Purchasing power per capita cash income, kg/month

Type of food	1995	2000	2005	2006	2007	2008
Beef 1 cat.	35.9	38.6	56.6	67.6	73.6	72
Sausages, wieners	36.0	37.5	60.4	76.4	87.4	85
Smoked and cooked sausages	20.7	24.2	41.5	53.4	60.5	58
Butter	24.8	28.4	59.0	72.5	72.8	58
Vegetable oil	62.9	86.9	159.4	215.0	228.1	163
Margarine	48.2	58.0	145.0	186.1	205.1	173
Milk, l	304.2	324.3	519.6	639.6	653.3	570
Sour cream	52.4	67.7	120.3	152.6	162.6	145
Cheese	22.6	25.3	47.0	61.1	61.7	55
Eggs, pieces	1306	1400	2595	3824	3869	3516
Granulated sugar	129.9	162.3	326.9	324.1	472.4	492
White bread, extra	150.2	167.5	250.3	298.1	310.5	268
Rye bread	269.0	270.4	373.9	453.9	468.4	407
Pasta products	102.2	123.0	269.4	367.5	386.1	306
Rice	107.9	143.7	308.0	384.3	354.4	299
Potatoes	361.0	395.3	599.1	714.4	793.7	714
Fresh cabbage	262.1	376.6	467.9	664.1	573.2	549
Apples	102.4	149.6	174.2	198.2	223.6	205
Vodka, l	21.2	25.6	43.6	55.4	60.4	62
For public expenditure on food, %	51.6	49.1	40.3	38.5	37.0	37.1

income from shady activities: salaries, concealed from taxation, acquisition of real estate and consumer durables, the opening of deposit accounts in the bank, etc.).

Analyzing the change in the purchasing power of the Vologda region's inhabitants, which reflects the maximum amount of purchases of certain types of food on average per capita monthly income, we should note the steady trend of growth, both in average and different socio-economic groups (*tab. 6*).

During the monitoring period, it increased on staple foods in 2 – 2.5 times, which increases the affordability of food for various socio-economic groups. So, if in 1995 the average resident of the region could buy about 36 kg of beef, or 304 liters of milk, or 52 kg of sour cream a month, then by 2008 the average per capita income can allow buying 74 kg of meat, or 162 kg of sour cream, or 658 liters of milk. This trend confirms the decline in the share of consumer spending on food.

However, there is deepening of households' differentiation by level of welfare. Differentiation of the population by income is objectively

determined by the ratio of income of different socio-demographic groups and is the result of the combined effect of economic, social and geographical factors. Economic disparities of populations depends not only on income inequality, but different income disparities and differences in consumption and demographic characteristics of households (family size and composition, demographic burden on the working-age population, the number of pensioners, the disabled, etc.).

The distribution of socio-economic groups in terms of cash income is characterized by their division in 20% groups (*tab. 7*) and the magnitude of per capita cash income (*tab. 8*).

During the monitoring period, the differentiation of incomes in society has increased significantly. Thus, the share of the poorest groups (income level is less than 7 thousand rubles a month per person) which is about 40% of the region's inhabitants accounts for less than 6% of total income, while the share of 15% best provided for there is more than 45% of income.

Table 7. Distribution of the total income of the population, %

Indicator	Years				
	2000	2005	2006	2007	2008
Cash income, total	100	100	100	100	100
including 20 per cent population groups: – first (with the lowest income)	7.2	6.5	6.1	5.9	6.1
– second	30.3	11.3	10.9	10.7	10.9
– third	26.3	16.1	15.8	15.6	15.7
– fourth	15.8	23.0	22.9	22.9	22.9
– fifth (with highest income)	20.4	43.1	44.3	44.9	44.4
Funds coefficient (the coefficient of income differentials), times	8.9	11.0	12.2	12.9	12.4
The Gini coefficient (index of income concentration)	0.358	0.364	0.378	0.386	0.380

Table 8. Distribution of population by per capita cash income, %

Indicator	Years						
	2001	2003	2004	2005	2006	2007	2008
The entire population	100	100	100	100	100	100	100
including those with average cash income per month, rubles: – up to 1000.0	8.9	2.8	1.7	0.7	0.3	0.2	0.1
– 1000.1 – 3000.0	59.0	37.2	29.3	20.7	12.2	7.8	4.9
– 3000.1 – 5000.0	22.5	29.8	29.2	27.8	22.1	16.6	13.1
– 5000.1 – 7000.0	6.4	14.9	17.4	19.6	19.5	16.9	15.3
– 7000.1 – 9000.0	2.0	7.3	9.5	12.0	14.1	14.0	13.8
– 9000.1 – 11000.0	0.7	3.6	5.2	7.2	9.7	10.8	11.4
– 11000.1 – 13000.0	0.3	1.9	3.0	4.3	6.6	8.1	9.0
– 13000.1 – 15000.0	0.1	1.0	1.7	2.7	4.4	6.0	7.0
– 15000.1 – 17000.0	0.1	0.6	1.1	1.6	3.1	4.5	5.4
– 17000.1 – 19000.0	0.0	0.4	0.6	1.1	2.2	3.4	4.2
Purchasing power per capita cash income (sets of living-wage)	2.25	2.18	2.32	2.27	2.51	2.70	2.58

In 2008, the poorest consumers spent on food about 1,692 rubles per month for 1 person. Over 25% of these costs were allocated to the purchase of bread and bakery products, the same amount – for the purchase of meat and meat products, about 12% on the purchase of vegetables, 11% – milk and milk products, slightly more than 5% of budget is spent for fruits and berries, even fewer (4%) for the purchase of fish and fish products. The average cash income in this group did not exceed the level of 3,127 rubles per month.

It is interesting that contrary to popular belief the majority of poor people (about 63%) live in cities, and the vast majority of them (60.2%) are of working age, the proportion of retirees is less than 12%, but over the past three years there is a trend of its increase. Persistently high (27 – 28%) remains the proportion of children

living in low-income families. Residents of region from the 10% group of the most well-to-do spend on food purchases on average about 4,083 rubles a month per household member. Structure of consumption differs significantly from the given above: the share of meat and meat products accounts for about 27% of the costs, more than 11% is spent for the purchase of fruits and berries, milk and dairy products account for about 14% of the diet, more than 6% are fish and fish products. It should be noted that the volume of consumption does not include food consumed outside the home (in catering, schools, kindergartens, hospitals, etc.). Average cash income in the group, according to official statistics, in 2008 amounted to 33,736 rubles per month.

Significant differences are identified in food consumption in urban and rural house-

Table 9. Consumption of basic foodstuffs in % of the norm in urban and rural households, for 1 consumer per year (based on sample survey of households)

Type of food	Years						
	1990	1995	2000	2005	2006	2007	2008
Urban households							
Bread and bread products	72.7	83.6	93.6	99.1	94.5	89.1	89.1
Potatoes	64.4	89.8	99.2	66.9	65.3	64.4	60.2
Vegetables and melons	50.4	57.6	61.9	66.9	68.3	70.5	68.3
Meat and meat products	85.2	64.2	70.4	93.9	92.6	92.5	96.3
Milk and milk products	107.1	67.9	57.4	71.7	72.4	71.4	69.9
Eggs, pcs.	72.9	68.5	78.4	85.2	85.2	84.6	83.6
Fish and fish products	60.0	48.0	56.0	72.0	68.0	72.0	76.0
Sugar and confectionery products	87.8	78.0	78.0	107.3	95.1	97.7	95.1
Rural households							
Bread and cereal products	138.2	121.8	129.1	152.7	139.1	134.5	136.4
Potatoes	98.3	131.4	121.2	116.1	112.7	113.6	117.8
Vegetables and melons	41.7	50.4	67.6	79.9	82.7	86.3	85.6
Meat and meat products	76.5	66.7	112.0	70.4	75.3	79.0	85.2
Milk and milk products	104.1	83.6	48.1	64.5	67.6	66.3	66.6
Eggs, pcs.	79.1	46.9	69.2	88.4	95.5	101.7	99.0
Fish and fish products	56.0	28.0	60.0	100	96.0	108	112
Sugar and confectionery products	87.8	90.2	95.1	143.9	136.6	121.9	119.5

holds (*tab. 9*). Given the lack of information on food consumption in households on the basis of food balance sheet, the data from a sample survey of households in urban and rural areas is used. Consumption of the urban population is stable below the biologically-based rules, for which there are two main reasons. First, the calculations take into account only food consumed at home, while for the city residents it is characteristic a wider use of public catering. Secondly, there is a more pronounced differentiation of the various income groups, which leads to an underestimation of individual indicators.

Income growth in socially well provided groups affects the “underconsumption” of bread, potatoes, and vegetables, but their share in the number of inhabitants of the region is too small for a similar effect on the growth of consumption of biologically valuable food items: meat, milk, fish, etc. Incomes of low-income citizens, despite the steady growth of their purchasing power, do not allow acquiring these products within the biologically-based standards.

In rural households one can also observe underconsumption of main products: meat, milk, eggs, vegetables and fruits. But this trend is directly linked to the economic availability of food, as well as in rural areas the social stratification of the population is traditionally weaker. There is a tendency of excess consumption of inexpensive products: bread and potatoes. A higher percentage of availability of fish and fishery products is formed due to self-sufficiency of the population. Similar situation is with the consumption of fruits and vegetables, which has a negative impact on the diet diversity and food value.

If we consider the outflow of the working population from rural areas, increase the proportion of the retirement age population, it becomes apparent the prospective decline of food production in individual households, which would exacerbate the current trend and increase the gap between different social groups in the village.

Thus, the study of trends in food consumption in the Vologda region confirmed that,

despite the steady growth of average incomes in the region, the main issues of regional food security – physical and economic access to food – remains unresolved. Physical accessibility which is due to the availability of food, provided mainly through food imports from abroad, economic ties with other regions are developing not quickly enough, the production of own agricultural raw materials is constrained

by low production efficiency and sustainable reduction in the working age population.

Analysis of the population's purchasing power has shown that economic access to food remains substantially below the level of 1990; in addition, high level of income differentiation in society distorts the statistics not reflecting the actual features of consumption in certain socio-economic groups of the population.

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Economic situation and social well-being of the population in the regions of the North-West federal district of Russia and the Republic of Belarus

The article presents some research data concerning the economic situation and social state of population in the North-West federal district regions of the RF and in the Republic of Belarus, the research conducted by ITSED RAS and Institute of Sociology NAS RB in 2009. The article contains a comparative analysis of the following: the population attitude towards political situation and economic situation in the country and in the regions, some urgent social problems, the financial and economic crisis effects on family welfare and the level of protest public mood.

Russia, Belarus, regions, social state, economic situation of population, urgent social problems, public consequences of financial and economic crisis.



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The Russian and Belarusian people are united by the common centuries-old history. Their countries were the single state in time of the Russian Empire and in time of the USSR.

After the USSR breaking up, there were formed two independent states the Russian Federation and the Republic of Belarus at the end of 1991. Five years later the Common-

* The work was done by owing to the grant №09-03-00857a /Б “Economic situation and social state monitoring in the regions of the North-West district and Belarus”.

wealth of Belarus and Russia was organized in order to unite some humanitarian, economic and military spaces. Later (in 2000) the close integration in the political, economical and social spheres led to the formation of allied state of Russia and Belarus – a confederative union of the Russian Federation and the Republic of Belarus, the common political, economical, military, customs, currency, legal, humanitarian and culture space being organized step-by-step.

Being constantly developed, the cooperation at the regional level plays a significant part in the development of trade and economic relations between Belarus and Russia. While in 1990s The Republic of Belarus has stable economic ties only with several Russia's regions (Moscow, Krasnodar Territory, Moscow region, Tyumen region and Volgograd region), during the first decade of the 21st century 80 Russian regions including all regions of the NWFD set their hand on the treaties and protocols in the trade and economic field, in the field of science, education and culture.

The post-Soviet period is characterized by certain distinctions. So, according to the experts' evaluations, in Belarus there was not so large-scale privatization as in Russia, but state enterprises were being commercialized gradually. The Belorussian government tried to retain control over the large-scale business and to follow a policy of paternalism towards the population. As a result of that, on the one hand, there was no any really efficient economy developed, and, on the other hand, the population didn't experience so "shock therapy" as it was in Russia. Belarus seeks to maintain many economic contacts with the Russian enterprises, having an economic self-sufficiency and its own tax system available. The country managed to keep its considerable industrial export to Russia over the whole transition period. Thanks to cheap Russian raw material Belarus could afford not to run the hazard connected with its development, retaining its social and economic stability. Belarus didn't even experience the 1998 – 1999 economic recession, and

after the year of 2000 it has steady upturn that shifted into low gear only because of the world economic depression. In Russia the social and political things and events as well as the consequences of the world financial and economic crisis had more pronounced social aftereffects.

The North-West district of the RF is close to the Republic of Belarus (Pskov region borders on the country, the stretch of border is 305 km), and it made for the traditions of their close cooperation in the social and economic and cultural fields. The common past, the similarity of social and cultural traditions including the verbal community are the occasions of such interaction too. After all both the ties of relationship and friendship between peoples continue.

From the standpoint of the post-Soviet development features it is interesting and useful to research the influence of modern social and economic and political processes in these different countries on the material welfare, standard and quality of life and public mood. This information can be received by social measuring.

Studying the dynamics of population's social perception of social and economic and political processes, ITSED RAS has been polling the population in 10 regions of the North-West federal district of Russia since 2005. In 2009 in April and May the research was being conducted in parallel with the Republic of Belarus thanks to the cooperation with the Institute of Sociology NASB¹ and with the support of RHSE, the similar methods used.

In 2009 the population of Belorussian was 9671.9 thousand people, the NWFD – 13462.3 thousand people. There are 10 regions in the

¹ The number of respondents was 5,100 people in 9 regions of the NWFD (500 people in every region) and 1,500 people in Vologda region. In Belarus – 2,068 people. Sample representativeness is provided by keeping the proportions between urban and rural population, the proportions between people living in different kinds of populated areas (rural communities, small and middle towns; age-sex structure of adult population).

Survey method – domiciliary questionnaire poll of the respondents. Sampling error isn't more than 3%.

NWFD, while there are 7 regions in the Republic of Belarus (*fig. 1*). The largest regions are the city of Saint Petersburg (4581.8 thousand people) and the city of Minsk (1829.1 thousand people).

Estimating their attitude to the state of affairs in the country, both parts often take up the neutral stance – “satisfied partly” (each country – 46%; figure 1). At the same time the NWFD has greater negative opinions (37% as against 21%), and Belarus – positive ones (respectively 28 and 17%). The situation in home region is estimated in a more critical way: the share of negative opinions reaches 43% in the NWFD and 26% in Belarus.

The circumstances satisfaction is connected with perception of those life challenges which the citizens of both countries have to encounter in the post-Soviet period of development. A number of the most acute problems has clarified itself, they are urgent for both Russia and Belarus (i.e. they are in the top ten on both parts; *tab. 1*). They are the following: inflation, low standard of life, unemployment, poor affordable housing, abrupt splitting of

population by income, growth of alcoholism and corrupt practice. At the same time there are some clear-cut distinctions between the problems significance for both nations. So, in Belarus the primary problem is alcoholization (62%), with the problem of inflation being moved a little (61%).

The main personal problems of both nations are similar in many respects. The inflation takes first place. In spite of that it is more acute for the inhabitants of the Russia’s North-West (55%) than for those of Belarus (39%). About every third or fourth is worried about low standard of life and poor affordable housing. More than one fourth of the NWFD population and every fifth in Belarus marks poor quality of public health service.

In the whole Byelorussians consider the state problems more urgent, while the people of the Russia’s North-West regions take the personal and family problems more urgent.

In the light of the factors of social splitting which is taken as an urgent problem of our modern life by 23% people of the NWFD and

Figure 1 (1 – 2). How much are you satisfied with the state of affairs..? (by % out of the number of respondents)

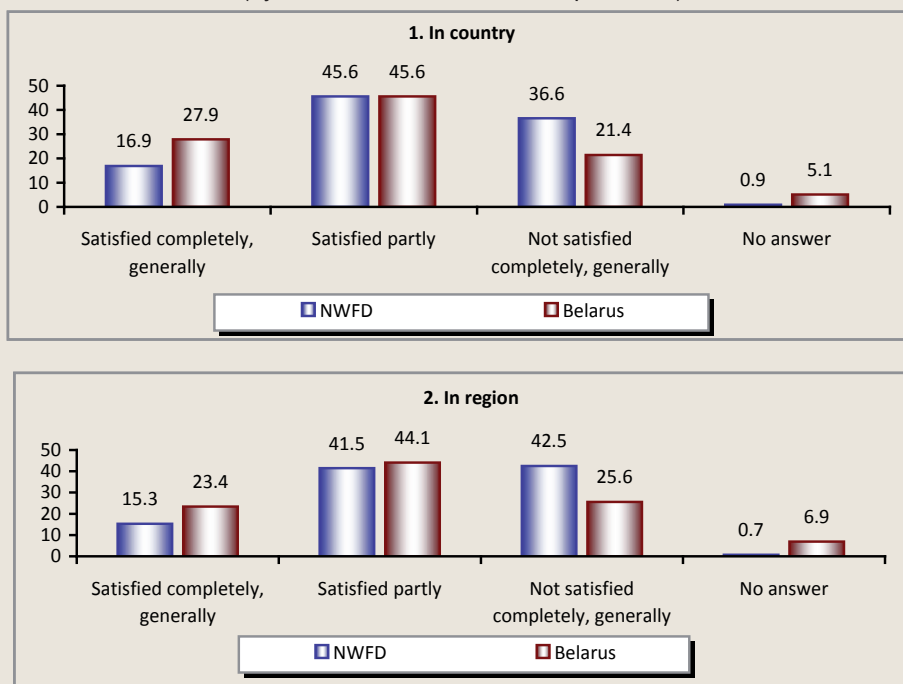


Table 1. The most acute problems of modern life (by % out of the number of respondents)

Problem	NWFD	Belarus
At the state level		
Inflation (continuously rising prices)	54.7 (1)	61.0 (2)
Low standard of life	47.5 (2)	48.4 (3)
Unemployment	43.3 (3)	40.5 (6)
Economy disintegration, stoppage of enterprises	28.0 (4)	27.7 (12)
Poor affordable housing	27.2 (5)	41.9 (4)
Civic insecurity	24.2 (6)	31.1 (11)
Abrupt splitting of population by income	23.3 (7)	40.0 (7)
Growth of alcoholism	22.4 (8)	62.3 (1)
High level of crime	22.2 (9)	27.4 (14)
Corruption, bribery	21.1 (10)	37.9 (10)
At the personal and family level		
Inflation (continuously rising prices)	55.3 (1)	38.6 (1)
Low standard of life	34.8 (2)	30.1 (2)
Poor affordable housing	33.6 (3)	23.5 (3)
Poor quality of public health service	29.1 (4)	20.7 (4)
Unemployment	26.1 (5)	9.5 (10)
Civic insecurity	23.3 (6)	14.6 (5)
Poor environmental conditions	21.5 (7)	12.8 (6)
Economy disintegration, stoppage of enterprises	13.9 (8)	5.8 (14)
Abrupt splitting of population by income	12.4 (9)	10.8 (7)
Arrears in payment	11.4 (10)	10.0 (9)

40% population of Belarus, it is important to find out what social stratum (by income, occupation, social esteem, way of life) they are connected themselves with in the place of their dwelling and in the country in the whole. It turned out that nearly equal groups of both nations believe themselves to be a member of the stratum above the middle one: 7 – 9% in their town (settlement) and 4 – 5% in country (*tab. 2*). Meanwhile in spite of the fact that the NWFD population has less acute sense of social splitting as a state problem they point out their belonging to the stratum below the middle one more often than Belarusians (34% as against 24% in their populated area and 46% as against 33% in their country). It is also worth paying attention to the considerably large share of “lower class” representatives in the NWFD – as much as 1.8 – 1.9 times. So “the middle class” is represented here to a lesser degree: 46% as against 57% in town / settlement and 32% as against 45% in country.

In Belarus the part of rural population is higher (31% as against 24% in the NWFD),

and the splitting processes are feebly marked among country people. This fact probably had an influence on the nature of opinions. Moreover approximately every fifth – sixth from each parts finds it difficult to correlate himself with some kind of social stratum.

The parts of people who consider themselves to be a member of the stratum above the middle one in the place of their residence are correlated with the share of those who give a positive assessment of their family welfare: respectively 7 – 8% and 9 – 12% (see table 2; *fig. 2*). We can observe higher level of negative assessments given by the NWFD population versus more frequent vague answers given by Belarusians.

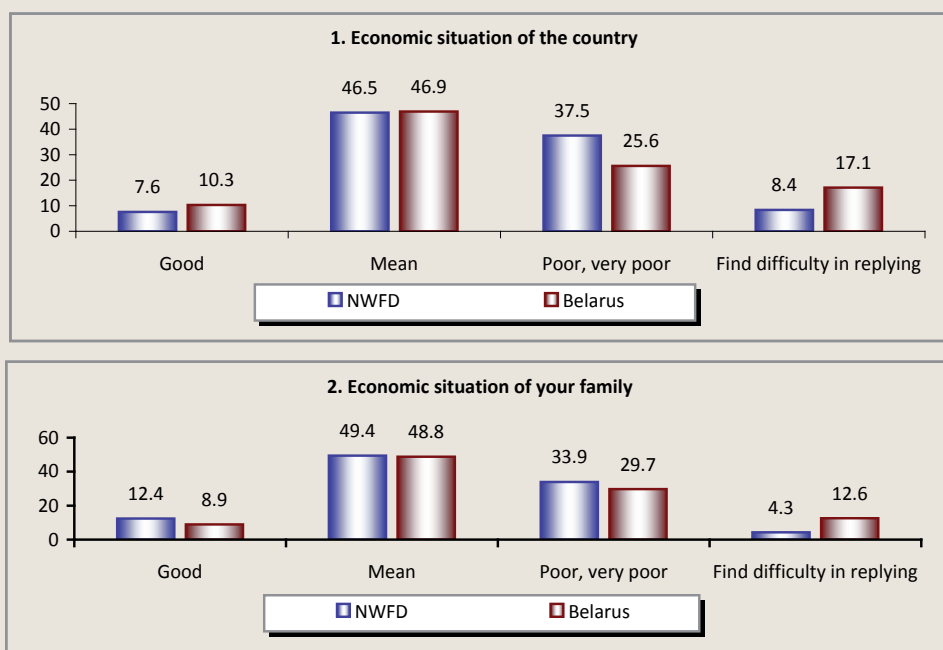
The economic situation of the country being evaluated, the shares of locutionary assessments are also the same (in 47% each), and the negative assessments in the NWFD are as frequent as 1.5 times (38% as against 26%).

The positive assessment of the family material welfare makes it possible to give rather high assessment to the income purchasing power:

Table 2. What social stratum do you rate yourself? (by % out of the number of respondents)

Social stratum	NWFD				Belarus			
	In town (village)		In country		In town (village)		In country	
Upper class	1.8	7.9	1.2	4.6	1.3	6.7	0.8	3.7
Above middle class	6.1		3.4		5.4		2.9	
Middle class	46.1		31.8		57.4		44.7	
Below middle class	24.9	33.7	30.5	46.4	18.8	23.7	24.4	32.8
Lower class	8.8		15.9		4.9		8.4	
Find difficulty in replying	12.3		17.2		12.2		18.8	

Figure 2 (1 – 2). How could you evaluate ...? (by % out of the number of respondents)



approximately a tenth of population from both parts are rated to these categories. However the people more often mention that they are able to buy only the necessary food and clothes but they have a difficult time to buy a large purchase (in 43% each). The part of people with low income purchasing power in the North-West regions reaches 40% (as against 34%). Meanwhile, in Belarus the refusal rate is more (15% as against 8%).

There observed some certain correlations between the income purchasing power assessment and people’s determination of their belonging to one or another class. So, the share of “poor”, “needy” (in the NWFD – 41%, in Belarus – 30%) is comparable to the share of those who “has enough money for food

at the best” (40 and 34%). People of “average income” who are share and share alike (in 49% each) probably reckon themselves among those whose income permits them to purchase needed goods and the part of these people cannot afford themselves to buy a car. Probably the people of both countries associate the concept of “average income” rather with the opportunity to satisfy their daily wants than with their well-being.

The important factor defining the social state of population is nature of forecasts connected with the prospects of private welfare development and state development in the whole. In this respect the pessimistic expectations are prevalent in the NWFD (50 – 56%; fig. 3), and the vague ones – in

Belarus (46 – 47%). Nevertheless the part of those who hopes for a situation improvement is higher in the NWFD – 21 – 22% as against 17 – 18%. In Belarus the expectations of private welfare development almost coincide with the prospective development direction of the country's economy. At the same time the population of the NWFD admits the possibility of negative development of situation in the country (56%) more often than in the family (50%).

The prevalence of negative forecasts about the family welfare development is fixed in the processes of on-going world financial crisis; in this connection it is important to study how and to what extent the consequences of crisis have been reflected in the life of people. The monitoring results showed that the population of Russia's North-West suffered from the crisis more than Belarusians (*tab. 3*). They were influenced greatly by inflation (84% as against 76%), reduction (45% as against 33%) and delay (32% as against 16%) of wage and social benefits. They noticed also more severe effects of crisis such as staff cuts (25% as against 9%) and plant shutdown (13 and 4%) much more often.

The majority of population from both parts noticed declining of their material situation as a result of crisis, but more often – in the NWFD (62% as against 56%; *fig. 4*). Besides that almost every tenth in Belarus observed some positive changes, while in Russia there is hardly such category (1%).

In crisis the population's assessments concerning the readiness to accept the existing situation assume great importance. The level of "stock of patience" (i.e. the share of persons who marked "all is not so bad and one can live", "it's difficult to live, but one can endure") in both categories under review are almost the same (76 – 78%; *fig. 5*). At the same time the category of those who is not ready to endure distress any longer made up 14% as against 8% in the NWFD. Although in the North-West regions the group of population who estimated the economic condition of their family as "very poor" (11%) was more than in Belarus (6%).

More frequent position – "it's impossible to endure our distress any longer" – in the NWFD (14% as against 8%), as well as pessimistic sentiments about the next changes in the economic condition of family (50% as against 36% in

Figure 3 (1 – 2). What is expected in the economic situation of the country / your family in your opinion? (by % out of the number of respondents)

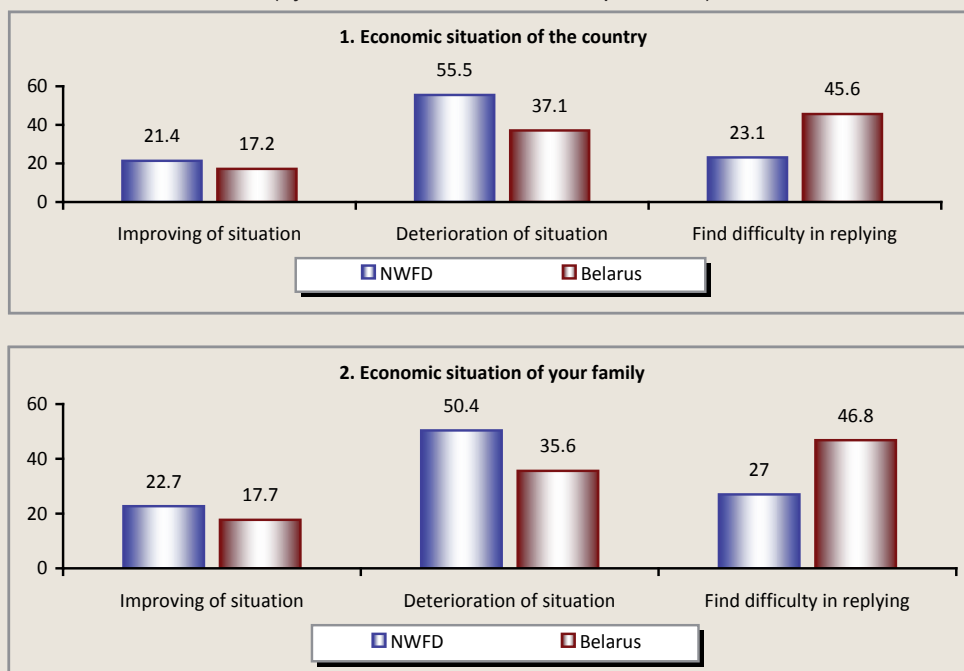


Table 3. The share of people in region who and whose family felt the consequences of crisis (by % out of the number of respondents)

Consequences	NWFD	Belarus
Increase in prices for consumer goods and services	84.4	76.4
Reduction (cutback) in wage and social benefits	44.5	33.3
Depreciation of ruble savings	27.9	30.6
Delay of wage and social benefits	31.5	16.2
Staff cuts, layoff in an enterprise	25.2	9.1
Plant shutdown, pause	13.2	4.2

Figure 4. Do you think that your (your family) economic condition becomes better, worse or doesn't change as a result of crisis? (by % out of the number of respondents)

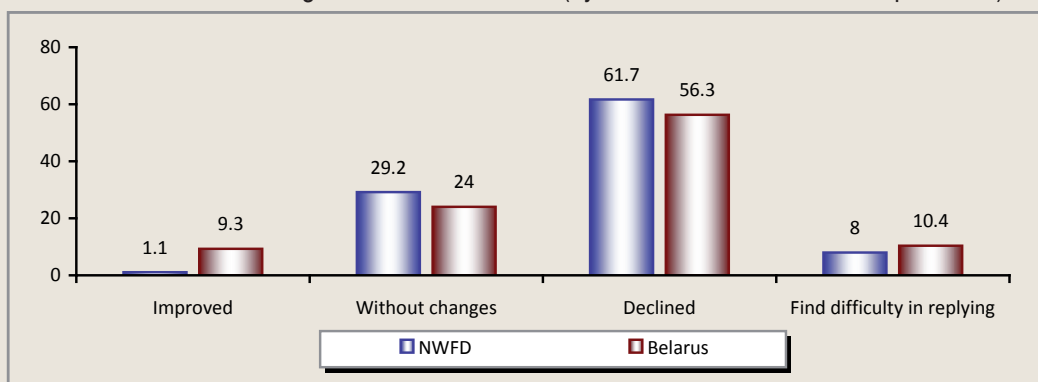
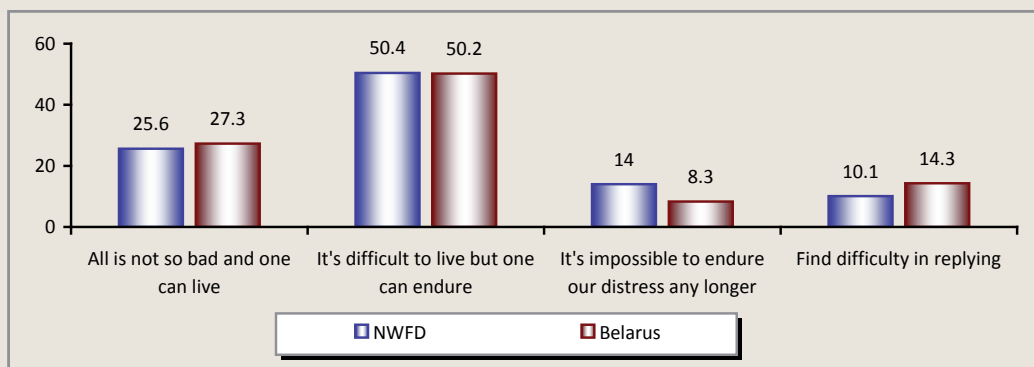


Figure 5. Which of the given statements agrees with the existing situation? (by % out of the number of respondents)



Belarus) explain the situation when the people of Russia's North-West much more often let in the possibility of mass protest actions and the potentiality of their personal participation. (as more often as 5 times; *fig. 6*).

The social and economic development of the country depends directly on the efficiency of the state and public institutions operating and on the level of population's confidence in them. The international comparison assumes

great importance in this respect. The similarity of positions of both nations is shown in almost the same level of confidence in the first official of the state and it's much higher than to other structures (63 – 65%; *tab. 4*). However in the whole Byelorussians are notable for the greater degree of confidence in state authority institutions: from 47 to 43% of population trust in militia, judicial bodies, security services, Council of Ministers of the Republic of Belarus, local

Figure 6. The share of population letting in the possibility of mass protest actions against the increase in prices and low standard of life in the place of residence and the potentiality of their personal participation (by % out of the number of respondents)

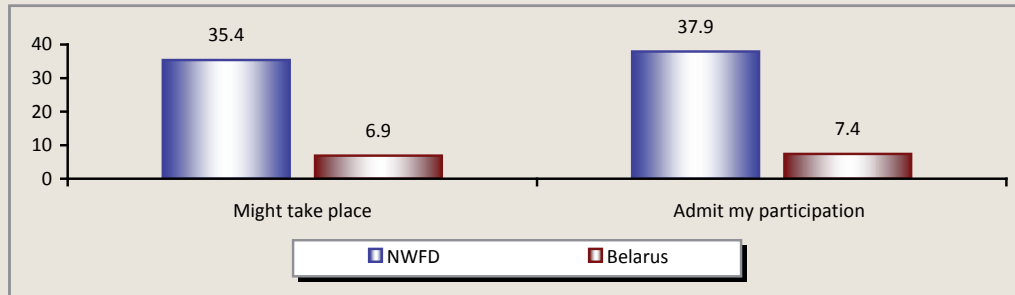


Table 4. Level of confidence in existing state and public institutions in country (by % out of the number of respondents)

Completely / in general trust in	NWFD	Belarus
President of the RF/ President of the RB	62.5 (1)	65.0 (1)
FSS / security services	35.4 (2)	45.6 (4)
Court, judicial bodies	33.1 (3)	45.8 (3)
Government of the RF / Council of Ministers of the Republic of Belarus	32.4 (4)	44.6 (5)
Mass media	28.1 (5)	29.5 (8)
District government, local authorities	27.5 (6)	43.3 (6)
Militia	27.1 (7)	46.9 (2)
Trade unions	25.3 (8)	26.1 (9)
Banks, entrepreneurs, private business	18.2 (9)	34.3 (7)
Political parties, movements	14.9 (10)	12.5 (10)

authorities. While in the NWFD “the second level” of confidence is fixed within 35 – 32% and it includes such authorities as Federal Security Service, court, the RF government. Less than 30% of population trust in local authorities and militia.

Both nations trust in mass media and social and political structures least of all. So 28% of the NWFD population (the 5th place) and 30% of Belarusians (the 8th place) trust in media, 25 – 26% – in trade unions (the 8th – 9th places), 13 – 15% – in political parties (the 10th place).

Thus, the research has shown that the people of Russia’s North-West and the Republic of Belarus often trouble about the same problems – inflation, low standard of life, unaffordable housing, quality of public health service. At the same time the economic and political situation in the country as well as the level of private

welfare are more frequently estimated neutrally. About half of population from both parts feels that they are people of average income. Meanwhile the negative assessments in almost all items are given more often by the population of Russia’s North-West. Accordingly the specific weight of those for whom “it’s impossible to endure our distress any longer” and who express the potentiality of their participation in protest actions. In crisis many people of the NWFD and Belarus are ready to seek for additional sources of income. However as opposed to Belarusians the people of Russian north-western regions more seldom show the readiness to save but they more often find difficulty in describing their possible actions or refuse to do something. Both nations are inclined to trust in the head of state, but the Belarusian level of confidence in other authorities is much higher.

The joint research of people's social sentiments in the NWFD regions and the Republic of Belarus helps to understand the situation from the standpoint of population who live in the respective territories and to modify their steps for further development. We consider that

such work is useful not only for scientific search but also for use of its results in the practical activity of state and local authorities. The next stages of research will show the direction of situation development. The nearest stage will take place in 2010.

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CONTINUING THE PREVIOUS ISSUE THEME

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Komi Republic's agro-industrial potential

In this article the condition of the land and the agro-climatic resources, the agricultural sector, the zones of agricultural production's specialization and accommodation are considered; the conceptual directions of the regional agricultural development are offered.

Land resources, agricultural sector, agricultural development.



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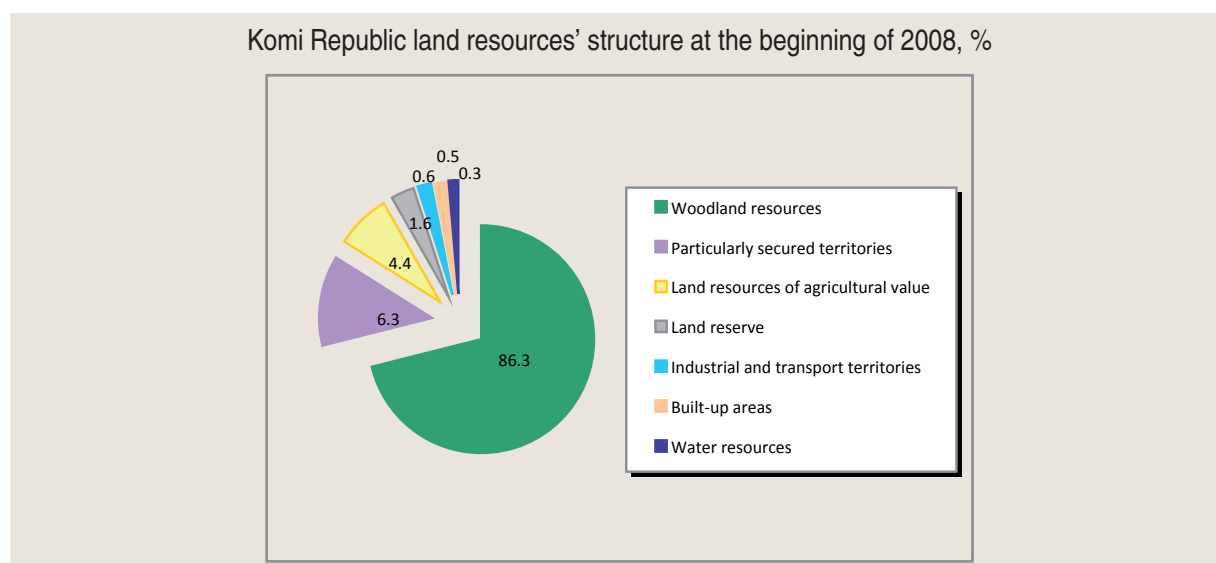


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Land resources. At the beginning of the year 2008 the available land of Komi Republic made 41 677.4 thousand hectares. Among all the land categories woods prevail (they make 35 950.7 thousand hectares, or 86.3%), and the significant territory is occupied by the particularly secured territories (they make 2 613.1 thousand hectares, or 6.3%); the agricultural lands make 1 856.0

thousand hectares (4.4%; *figure*). Reindeer pastures are located on the agricultural lands (1 110.9 thousand hectares), on the particularly secured territories (413.8 thousand hectares) and on the woodlands (7 972.3 thousand hectares). The land reallocation fund, making 206.5 thousand hectares, annually increases, as private owners, farmers and farming enterprises refuse the lands.



Komi Republic occupies 2.4% of Russia's territory. The share of the most productive holdings (plough-lands) only makes 0.3% of the area while in the country in general this parameter is 7.9%. The share of the tilled lands reaches 25% to the average 60% in Russia in general. The low rate of the Republic lands' development is caused by the unfavorable environment for agriculture, by huge areas of wood, and by its low population density.

Not only the low agricultural land development, but also the irregularity of accommodation on zones and administrative areas are characteristic for the republic. The basic areas of agricultural lands are concentrated in the southern and the central parts, and also in Udorskoye, Izhemskoye and Ust-Tsilemskoye municipal formations. In the structure of agricultural holdings natural hay-makings and pastures prevail (3 hectares of meadows to 1 hectare of arable lands). The share of the tilled lands decreases from 42% in MF (municipal formation – *here and further*) “Priluzsky region” to 3% in MF “Ust-Tsilemsky region”.

As a whole in Komi Republic a bit more than half of farmlands (51.5%) are used by agricultural organizations, and 59.1% of holdings are used by farmers and individual businessmen. Most of all the holdings are deserted in the northern areas (Vorkuta, Izhemsky region, Ust-Tsilemsky region), and also in Sysolsky and

Troitsko-Pechorsky regions that is connected with hard financial situation, bankruptcy and agricultural productions' liquidation in these areas.

The situation of the usage of the lands by farming enterprises is similar. Most of all agricultural holdings are deserted in Usinsky, Izhemsky, Ust-Kulomsky and Syktyvdinsky regions. The owners of personal subsidiary farms use agricultural holdings practically completely. The main part of Komi Republic is located in the taiga-wood zone where the dominance of the podsolich soils is typical (22% of the territory). Low natural fertility and heat deficiency (in connection with long seasonal frost penetration) determine low productivity of these soils. However by virtue of the normal water mode they can be used as arable lands rather actively.

Evaluation of the modern condition of the agricultural sector. The share of agriculture is about 2.5% of the gross regional output, approximately 0.6% of investments into the fixed capital, 3.9% of the mid-annual number of employed people. In view of subventions the branch has been profitable since 2005. The branch structure is mainly focused on dairy and meat cattle-breeding, poultry-breeding, pig-breeding and reindeer-breeding. Crop production is specialized on potatoes and vegetables raising, and also provides cattle-breeding with succulent and rough forages.

For January, 1, 2008 133 agricultural organizations, including 73 large-scale and middle-scale ones, 92.4 thousand personal subsidiary farms, 274 country farming facilities, 75.6 thousand families of gardeners and 30.3 thousand families of truck farmers were engaged in agricultural production. In 2007 the share of agricultural organizations made 50.1%, the share of the population's facilities made 46.9%, and the share of the country farming facilities made 3% in the total amount of agricultural products (*table*).

In 2007 the agricultural enterprises of the republic made 49% of the whole volume of milk, 73.6% of the whole volume of meat, 99.2% of the whole volume of eggs, 13.4% of the whole volume of vegetables and 3% of the whole volume of potatoes). The population's facilities produced 96.1% of the whole volume

of potatoes, 85.3% of the whole volume of vegetables, 45.7% of the whole volume of milk and 23.1% of the whole volume of meat. In 2007 the share of the country farming facilities in the total production amount of potatoes made 0.9%, of vegetables – 1.1%, of milk – 5.3%, and of meat – 3.3%).

The transition to the market with the use of the monetarism's approaches extremely negatively affected the agrarian sector of Komi Republic. The mid-annual rates of the production decrease of agriculture made 5.7% at the period of 1991 – 1995, 0.6% in 1996 – 2006, 1.8% in 2001 – 2005, and 7.7% in 2006 – 2007. At the period of 1990 – 2007 along with the significant population's reduction in the republic (from 1,245 to 968 thousand people) meat production decreased with 31 up to 15.7 kg per head, milk production was reduced from 166 to 69 kg

Dynamics of share ratio of various social facilities' types in Komi Republic agricultural production, %

Types of products and facilities' categories	1990	1995	2000	2005	2006	2007
Potatoes, total	100.0	100.0	100.0	100.0	100.0	100.0
Agricultural collective enterprises	42.1	14.4	9.8	5.9	5.6	3.0
Population's facilities	57.9	84.7	89.6	93.5	93.6	96.1
Farms	-	0.9	0.6	0.6	0.8	0.9
Vegetables, total	100.0	100.0	100.0	100.0	100.0	100.0
Agricultural collective enterprises	89.6	50.7	31.3	14.3	14.3	13.4
Population's facilities	10.4	49.2	67.9	84.4	84.9	85.3
Farms	-	0.1	0.8	1.3	0.8	1.3
Meat, total	100.0	100.0	100.0	100.0	100.0	100.0
Agricultural collective enterprises	80.1	58.2	53.4	64.0	70.3	73.6
Population's facilities	19.9	40.6	45.6	33.3	26.8	23.1
Farms	-	1.2	1.0	2.7	2.9	3.3
Dairy, total	100.0	100.0	100.0	100.0	100.0	100.0
Agricultural collective enterprises	84.6	63.6	50.0	45.6	48.8	49.0
Population's facilities	15.4	35.3	48.8	52.0	48.1	45.7
Farms	-	1.1	1.2	2.4	3.1	5.3
Eggs, total	100.0	100.0	100.0	100.0	100.0	100.0
Agricultural collective enterprises	97.7	95.4	98.7	99.2	98.9	99.2
Population's facilities	2.3	4.5	1.3	0.8	1.1	0.7
Farms	-	0.1	0.0	0.0	0.0	0.1
Gross output, total	100.0	100.0	100.0	100.0	100.0	100.0
Agricultural collective enterprises	80.1	53.0	47.8	45.6	48.4	50.1
Population's facilities	19.9	46.1	51.4	52.7	49.6	46.9
Farms	-	0.9	0.8	1.7	2.0	3.0

The source: Agriculture in Komi Republic: Statistical collection. – Syktyvkar, 2007; Agriculture in Komi Republic: Statistical collection. – Syktyvkar, 2008.

per head, egg production decreased from 294 to 175 eggs. The inhabitants' consumption of the basic food stuffs makes now 230 kg, 65 kg and 261 pieces accordingly.

The consumer market of the republic is substantially formed due to foodstuffs' import from other regions of the country and from abroad. In 2006 the share of the republic's production made: meat and meat foods – 25.9%, milk and dairy produce – 31.3%, eggs – 68.4%, potatoes – 97.6%, vegetables – 42.4%. In 1990 these parameters made 38.6, 39.7, 94.4, 68.0, and 15.7% accordingly.

The republic provides itself with 98% of potatoes, and with 42% of vegetables. The insufficient provision with native products indicates the crisis condition of agriculture, and also the low competitiveness of the local manufacturers' products.

During the years of the agrarian reforms the degradation of the branch industrial potential occurred. The number of workers at the agricultural organizations reduced in 3 times. At the period of 1990 – 2007 the farmland reduced from 353 to 211 thousand hectares, arable lands reduced from 100.5 to 52.8 thousand hectares, cattle stock decreased from 173.5 to 43.7 thousand heads, including cows – from 71 to 21 thousand heads, pigs – from 136.3 to 27.1 thousand heads, deer – from 123.6 to 83.5 thousand heads.

Cattle stock's, arable lands', and the workers number's reduction took place in all areas, but it is especially appreciable in the agricultural zone of the Far North and in the northern territories. For example, at the period of 1990 – 2006 in MF "Vorkuta" cattle stock reduced from 9,590 to 171 heads, in MF "Inta" – from 5,445 to 1,165 heads, in MF "Pechora" – from 7,521 to 1,160 heads, in MF "Ust-Tsilemsky region" – from 16,114 to 4,141 heads, in MF "Izhemsky region" – from 13,634 to 3,640 heads.

Also agro-chemical and water-physical land properties' deterioration, water-logged and overgrown with shrubs grounds (in connection with the ameliorative grounds' destruction and

the ameliorative works' reduction) occur. Nutrients' carrying out from the ground exceeds their carrying in. Nowadays 11 kg of mineral and 3.5 t of organic fertilizers are carried into the fields; that makes accordingly 18 and 17% of the required nutrients for the land fertility's maintenance.

The main part of agricultural production is made in suburbs (Syktyvdinsky, Kortkerossky regions), in the municipal districts of the cities of Syktyvkar, Ukhta, Inta and in the southern part of the Priluzskaya area.

More than half of the republics' agricultural organizations are insolvent, the third part is unprofitable. The organizations' debts to their creditors in the form of activity "Agriculture and granting services in this branch" at the end of 2007 made 464 million rubles, including the failed payments on time (they made 98 million rubles). Also in 2007 the accounts receivable made 238 million rubles, including the failed payments on time (they made 25 million rubles).

The agricultural sector' processing enterprises, except for the enterprises on processing milk and meat, almost completely work on the imported raw stuff. Through the unsupported condition with agricultural raw material the most part of the processing enterprises works with incomplete capacity.

The zones of specialization and accommodation of farming industry. Under the influence of natural and economic conditions of agricultural production and public needs four agricultural zones in the Far North, and in the northern, central and southern parts were formed in Komi Republic.

In 2007 16.4% of the republic's population lived in the agricultural zone of the Far North (MF "Vorkuta" and MF "Inta"), the agricultural gross output made 5.7%. The most perspective branch for this zone is the production of milk, eggs, and the development of reindeer-breeding and poultry-breeding.

The northern agricultural zone includes the MFs "Izhemsky region", "Ust-Tsilemsky region", "Udorsky region", "Troitsko-Pechorsky

region", "the town of Vuktyl", the town of Pechora", "the town of Sosnogorsk", "the town of Usinsk" and "the town of Ukhta". 39.4% of the republic's population lived here and the agricultural gross output made 23.6%. This zone's specialization is directed to milk and meat production, and to the development of reindeer-breeding; the additional branches are raising of potatoes and vegetables.

The central agricultural zone includes MFs "Ust-Kulomsky region", "Ust-Vymsky region", "Knyazhpogostsky region", "Kortkerossky region", "Syktyvdinsky region", "Sysolsky region" and "the city of Syktyvkar". 40.9% of the republic's population live here and the agricultural gross output makes 61.8%, potatoes – 56.3%, vegetables – 65.7, milk – 48.4%, meat – 74.7%, eggs – 75.8%.

The agricultural producers of this zone specialize on producing milk, meat, and eggs; they also produce potatoes and vegetables. The part of these agricultural products is delivered to the north of the republic.

The southern agricultural zone includes MFs "Kojgorodsky region" and "Priluzsky region". 3.3% of the republic's population live here. The total agricultural production of this zone makes 8.9%, potatoes – 10.6%, vegetables – 21.5%, milk – 10.4%, meat – 4.4%, eggs – 0.1%, 98.3% – grain.

The prospects of agricultural development. In view of difficult natural and economic conditions for agricultural development the principle of bootstrapping with foodstuffs is unacceptable for the republic; however the production of the basic food stuffs has favorable conditions, and it is the barest necessity. The priority in the development of the southern and the central zones' specialization should be given to agricultural production integrated with forestry and trades. Here arable lands and natural forage holdings should be used most intensively.

The basic aim of the agricultural sector's development in Komi Republic is that by 2020 it will have to start producing the minimal set of the basic kinds of the foodstuffs necessary for the population health's maintenance and

for the stable life-support. In the long term the republic has the opportunity to completely provide its population with potatoes and vegetables, to expand vegetables' raising in greenhouses; to provide the population with milk and dairy produce for 40 – 45%, with meat and meat products for 30 – 35%, with dietary eggs for 70 – 75%; to increase the region's role in fishery, reindeer-breeding, hunting-trade economy, wood resources (mushrooms and berries).

In the field of specialization and production accommodation in the southern agricultural zone the expansion of milk, meat, potatoes and vegetables production is anticipated. In the central agricultural zone specialization will be directed to producing milk, meat, and eggs; it will also produce potatoes and vegetables. In the northern agricultural zone specialization will be directed to milk and meat production, and to the development of reindeer-breeding; to the raising of potatoes and vegetables. In the zone of the Far North agriculture should provide the population with full cream milk, with dietary egg, and with reindeer-breeding products.

In the suburban agriculture first of all it is necessary to direct the fodder resources to the production of full cream milk and sour-milk production. Here it is economically expedient to build highly-mechanized farms for 400 cows with milk yield of 5 – 6 thousand kg, with the closed cycle of the herd reproduction.

By 2020 it is also expedient to construct in the suburbs and regional centers 17 – 20 dairy complexes for 400 cows with the unleashed keeping and with the automated systems of feeding, watering and dung removal.

In small rural settlements there can be farms for 100 – 200 cows. It is also possible to apply modern highly effective means of mechanization and automation for carrying-out technological processes in them. There it's possible to process some part of milk to butter and cheese.

In peripheral rural areas (MFs "Izhemsky region", "Ust-Tsilemsky region", "Udorsky region", "Ust-Kulomsky region") where dairy

cattle-breeding will not receive intensive development, for the rational use of the forage holdings, of manpower, and for filling the market with fresh beef it is expedient to be engaged in meat cattle-breeding under the condition of the state support's strengthening of these branches.

The system of provender milling should be directed to the all-the-year-round full and guaranteed providing of the cattle-breeding branch with the basic kinds of forages of the native production, under the obligatory creation of the insurance fund; and to providing full dietary intake for each kind of cattle at every stage of its keeping. Production of all kinds of forages is planned to be finished up to 200 – 220 thousand tons of forage units by 2020. For this purpose it is required to bring 1,670 – 1,800 thousand tons of organic fertilizers and 14.6 thousand tons of mineral fertilizers, including nitrogen – 3.8 thousand tons, phosphorus – 2.8 thousand tons, potassium – 8 thousand tons annually. Actually in 2006 it was brought 142 thousand tons of organic and 0.58 thousand tons of mineral fertilizers that accordingly makes 9% and 4% from need. Nowadays the natural fertility of soils in the republic is low and still continues to reduce from year to year. 92.2% of the arable soils of the republic are poorly cultivated and have poor stocks of organic substance; they contain about 2.32% of humus on the average. A lot of means of chemicalization are not effective at such low level of organic substance.

The analysis proves economic practicability of poultry farming production in MFs “Syktyvkar”, “Inta” and “Syktyvdinsky region”. The cost price of egg and poultry production at the integrated poultry farms of the republic (despite of the price raising factors) is a little bit higher than the similar parameters at the poultry-farming enterprises of Russia.

Reindeer-breeding prospects are connected with the intensive development of this branch both in tundra (forest-and-tundra), and taiga zones. The development of bogs, which are not practically used nowadays, and of low-productive for forestry boggy woods on the

territory of Izhemsky, Ust-Tsilemsky, Uhtinsky, Sosnogorsky, Pechorsky and Udorsky regions is one of the measures directed to the dynamical development's maintenance of reindeer-breeding.

Deer livestock in agricultural organizations and country farming facilities is planned to keep at the level 62.5 – 63.0 thousand heads by 2012, and to increase up to 72 – 75 thousand heads by 2020. Deep processing of venison with the use of modern high-efficiency equipment will be carried out in MFs “Vorkuta” and “Izhemsky region”.

According to the Federal Law “About agricultural development” and to the Federal Program “The State program of agricultural development and of regulation of the agricultural production's markets (raw material and foodstuffs) for 2008 – 2012” Komi Republic Government authorizes “Actions on agricultural development and on regulation of agricultural production's markets of raw material and foodstuffs in Komi Republic for 2008 – 2012”. The main task of actions for the medium-dated term are: the increase of competitiveness of agricultural production made on the territory of Komi Republic; preservation and reproduction of lands and other natural resources used in agricultural production; the increase of the incomes' level for manufacturers of agricultural production, raw material and foodstuffs.

The steps are taken in five directions:

- 1) creation of general conditions on agricultural functioning;
- 2) priority agricultural sub industries' development;
- 3) agricultural financial stability's achievement;
- 4) agricultural production, raw material and foodstuffs market's development;
- 5) steady development of rural territories.

The development of reindeer-breeding, the traditional branch for the North, will be promoted by realization of the actions directed to reindeer's livestock stabilization, and also by carrying out planning works and by the complex resource estimation of deer pastures.

The state support is anticipated; it will concern the development of trading stations (intermediate bases) on the nomadic ways of reindeer breeders, and also the departure of reindeer breeders' children to tundra and back for the period of summer vacations.

Actions on fishery development, directed to the volumes' increase in manufacturing high-quality fish products, will be realized within the framework of the departmental purposeful program "Development of fishery, and aqua-culture; reproduction of fish resources in Komi Republic (2008 – 2010)". As a result the volume of the raised fish will increase up to 1200 tons a year (i. e. in 9.5 times to the level of the year of 2007), and the realization of the caught fish will increase almost in 2 times and will make 200 tons.

Among the actions on crop production's development there are the following ones: support of agricultural producers in purchase of high-quality seed material and stimulation of forage crops' cultivation; support of elite seed farming and agricultural products' makers in the Far North regions and in the districts equal to them for the creation of own forage reserve for cattle-breeding and for the crop production's increase of low-productive arable lands.

The actions on elite seed farming support includes: the state support of elite seeds crops' purchase; the increase of areas under potatoes' planting with the use of elite planting material. For the solution of the mentioned problems the realization of the following actions is necessary: the state support on delivery of forage crops' seeds and the expansion of areas under forage crops' planting. As a result by 2012 elite seeds' crop area will make 6.5 thousand hectares, and planting densities of potatoes with elite seeds' use will grow more than twice in the general planting area (without taking into account personal subsidiary farms).

With a view of agricultural financial stability's achievement the following actions will be realized:

1. Increase of credit resources' availability for agricultural producers. The state support

will be carried out by means of giving grants to agricultural organizations for compensation of some part of expenses for payment of interests on credits received from the Russian credit organizations, and loans received from agricultural credit consumer cooperative societies. In 2012 the volume of subsidized credit resources will make 814 million rubles, including 447 million rubles of investment. In 2007 the volume of debt credits in agricultural organizations was equal to 57 million rubles.

2. Increase of the financial stability of small-scale country forms of managing due to the state support of personal subsidiary farms of citizens; the state support of the country farming facilities; assistance to the development of agricultural and consumer cooperative societies; the increase of credit resources' availability for the small-scale forms of managing received from the Russian credit organizations. Owing to these actions' realization it is planned to provide an annual 2 – 3% gain of the production's realization made by the small-scale forms of managing.

3. Modernization of the basic means of agricultural production's, raw materials' and foodstuffs' makers. Modernization will be carried out by realization of the following actions: construction and reconstruction of cattle-breeding premises, industries on cattle-breeding production's processing; technological and technical renovation of the basic means of agricultural products', raw materials' and foodstuffs' makers; creation of the conditions for highly technological complexes', machines' and equipment's introduction into agricultural production. In 2012 in the comparison with 2007 it is planned to increase tractors' purchase in 2.5 times. Nowadays the spade-work on innovational projects' development in the sphere of construction and reconstruction of cattle-breeding premises is carried out. After cattle-breeding premises' construction and reconstruction it is planned to introduce into practice from 600 to 1,000 cattle-stalls annually.

The following steps will be taken for the development of the agricultural products', raw

materials' and foodstuffs' market on the basis of the production competitiveness' increase: perfection of the mechanism of granting the state support to agricultural products', raw materials' and foodstuffs' manufacturers for indemnification of some part of the expenses connected with producing, processing and realization of agricultural production; purchases of agricultural production from personal subsidiary farms of citizens; certification of agricultural production, raw material and foodstuffs; organizing fairs of agricultural production, raw material and foodstuffs on the territory of Komi Republic; providing participation of agricultural products', raw materials' and foodstuffs' makers of Komi Republic in taking orders for food stuffs' delivery both for the state and municipal needs.

The actions on rural territories' steady development will be carried out within the framework of subprogram "Individual house-building's development" and "Assistance in construction and reconstruction of the municipal infrastructure's objects", of the purposeful republican program "Habitation" for 2008 – 2012 and of the departmental purposeful program of the Komi Republic's Department of industry and power engineering "Gasification of Komi Republic's settlements for 2007 – 2009 (the 1st stage)". In 2008 – 2012 from Komi Republic's budget 344.5 million rubles will be spent on financing the actions on the improvement of living conditions of citizens, young families and beginners living in the country.

More than 3.5 billion rubles from Komi Republic's budget, including 3.2 billion rubles on agricultural production's support and 345 million rubles on grants for construction and purchase of habitation in the rural areas are required for the planned actions' realization. For 2008 – 2012 the federal budget's charges will grow twice.

As a whole the mentioned actions' realization will allow increasing agricultural production volume for 10% to the level of the year of 2006. The milk sale will increase from 37.5 thousand tons in 2008 to 39.6 thousand tons in 2012; meat sale will grow from 20.7 to 24.5

thousand tons, eggs' sale will grow from 140 to 148 million pieces accordingly.

For this period the share of production made in Komi Republic in the total amount of food resources will increase from 26.4% to 28.3% (milk and dairy produce), from 26.2% to 27.7% (meat and meat products).

Perspective legal forms of agricultural production's organization. The multi-mode and multi-variant approach of the organizational-legal forms of agricultural production (agricultural production co-operatives, societies with limited liability, joint-stock companies, state unitary enterprises, population's facilities, farms) generated in the region during the years of reforms will be kept further. Basis of agrarian economy will make large-scale commodity production. Large-scale collective production can be carried out at enterprises with various organizational-legal forms of managing. In addition to the large-scale commodity sector it is necessary to develop small-scale forms such as farms, personal subsidiary farms and citizens' gardening societies. On the basis of cooperative and integration relations' development both ways can cooperate, using benefits of production specialization and socialization.

Summary

1. Only 1% of the territory (without taking into account reindeer pastures) is used for agricultural purposes in Komi Republic. It is caused by unfavorable environmental conditions for agricultural management; huge areas are occupied with woods, and there is low population density there. Meadows' prevalence in the farmland structure allows developing cattle-breeding successfully. Great tracts of flood-plain meadows have special economic value; the potential opportunity of forages' gathering from them can exceed 150 thousand tons of forage units.

2. Agricultural natural potential of the southern and the central areas provides effective production of potatoes, vegetables of local assortment, and forages. When using modern technologies agro climatic resources allow to receive potatoes' productivity of 200 – 300

centners from a hectare, vegetables' productivity of 300 – 400 centners from a hectare, grain's productivity (in the southern areas) of 20 – 30 centners from a hectare, perennial grasses' hay of 40 – 50 centners from a hectare.

3. The principle of bootstrapping with foodstuffs is unacceptable for the republic. In the long-term prospect there is an opportunity to completely provide the population with potatoes, vegetables of the local assortment; to provide 30 – 45% of dairy-meat products, 70 – 75% of eggs; to increase fish catch, reindeer-breeding, hunting-trade economy, gathering mushrooms and berries.

4. The main directions of agricultural sector's development are soil fertility's reproduction; technical and technological moderniza-

tion of crop production, cattle breeding and processing industry; increase of the financial stability of agricultural production's organizations; creation of conditions for keeping qualified personnel and for increase of villagers' standard of living.

5. In the long term the leading part in agricultural production will be played by large-scale and middle-scale collective agricultural organizations, integrated with processing enterprises. Farmer way will not receive essential development in the medium-term prospect. Country farming facilities' making in the market conditions demands significant investments for material resources' and infrastructure's creation, great time expenses, and working competence.

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Ecological business as the major direction of the regional development's ecologization

The regional ecological business' problems, its place and its role in the regional economy in conditions of its transition to the model of the steady innovational development are considered in the article.

Small-scale business, regional economy, ecological innovations.



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The transition of the regional economy to the model of the steady innovational development based on the efficient resource-consumption and on minimization of the anthropogenic influence of manufacturing processes and goods' and services' consumption, causes the importance and the necessity of the research of the problems concerning activation of the regional ecological business.

In Russia ecologically focused activity as a category for the first time was mentioned in the Law "About the bases of ecological business", accepted at the plenary session of Inter-Parliamentary Assembly of states-participants of the CIS (June, 2000); it includes industrial, research, credit and financial activity on producing goods and services, which states providing environment's preservation and restoration and natural resources' protection as the end use. The Law states legal persons and private businessmen as the subjects of ecological business; they carry out the activity on works' and services' production which is characterized by the nature protection purpose as the basic direction [4].

In our opinion, while defining the concept "ecological business" it is necessary to take into account a special role of business in the sphere of innovations (both technological and socio-

economic ones). The interrelation between business and innovations creates competitive advantages for the appearance at the existing and new markets. Therefore preventive measures become priority-driven while introducing ecological innovations providing influence minimization at each stage of the life cycle into manufacture. Business productivity is connected with the fast response to the social needs that is the most typical for the small-scale business' enterprises.

Ecological business is a component of business as a whole. Hence, first of all it should response to the general principles of the market economy, provide stable profit, have the sated and stable market. Preferential crediting, budgetary asset's allocation, exemption from the custom charges for the imported to the country high nature protection technologies and specialized equipment, exemption from tax payments to the added cost for some works etc. should take place. Among the factors furthering ecological business' development first of all we should mention the following ones:

- toughening both international and home ecological standards;
- developing ecological markets of goods and services;

- strengthening consumers' interest in getting ecological goods and services, and manufacturers' interest in producing competitive production in view of its ecological component;
- perfection of the state regulation in the sphere of the regional ecological business.

The latter factor is significant for all stages of the ecological business' development and of business' development as a whole, and it is especially actual in the conditions of the global financial crisis when private sources in financing innovational projects have been reduced. However the increase of the government spending share for these purposes is planned. For instance, in 2008 1.8 billion rubles were allocated from the budget to the fund which gives permanent loans to small-scale business for innovational projects, and in 2009 this sum will be increased for 0.7 billion rubles. For the period 2009 – 2011 it is planned to allocate 10 billion rubles from the federal budget on financing young scientists' support, on the starting innovational companies' creation and on carrying out research work at the small-scale enterprises.

The analysis of the economically advanced countries' experience proves: while activating the mentioned kind of activity fiscal and economic stimulus' role in the field of the regional ecological development increases and the priority of the non-material actives' share increases, among them are: ecological technological and socio-economic innovations, including the pure manufacture's technologies, alternative power engineering, recycling and natural resources' reuse; and business' social responsibility growth. Besides, accumulation of means for ecological business activation, including the way of resources' consolidation of the state and private business on priority directions; steady staff's ecological education; activity coordination of all ecological markets' participants; carrying out Government Purchases taking into account the ecological component; ecological business' social importance and public status increase, etc. takes place. However it is problematic enough to define the borders

between various stages of ecological business' development; as a rule, ecologically focused firms don't develop equally at the regional, national and international markets.

The indicator allowing defining the regional ecological development's degree by revealing a ratio between catching polluting substances and preventive measures is worth paying attention. In 2005 the share of expenses on preventive measures on the average in EU made 36% whereas in Great Britain, Belgium and Portugal the expenses for catching polluting substances and the expenses on preventive measures were equal. The expenses on preventive measures surpass the expenses on catching polluting substances in Czech, Finland and Cyprus; but as for Austria, only 10% of expenses for the environment's preservation are connected with preventive measures [1, p. 26].

The new regional economic technological base's formation, built upon advanced biotechnologies' achievements, information science and nanotechnologies, will strengthen ecologically focused innovations' role in socio-economic development.

In Russia the formation of the business focused on the environmental problems, goes since the 80-s of the XX century. It concerns the enterprises making nature protection equipment and instrumentations, processing secondary resources and utilizing waste products, making non-polluting products, giving services of the nature protection purpose (ecological audit, ecological insurance, consulting, educational services in the field of the environment's preservation, carrying out scientific researches in the sphere of ecology, etc).

At the Russian Federation Security Council's session (January, 2008) it was marked, that "On the territories of Russia about 80 billion tons of firm waste products are being kept in dumps and storehouses... In Russia there are conditions for ecological problems' solution, for example: both financial and economic opportunities, stimulus for introduction of non-polluting technologies into industry, programs of alternative technology, and creation of the industries processing toxic wastes [5].

Consequently the creation of economically effective, normative-legal, and organizational conditions in the field of processing wastes, and also of the material base of wastes' effective recycling should become one of the major strategic priorities in the sphere of the governmental regional ecological development in the Russian Federation.

The ultimate aim of ecological business is the creation of the stable system when not only the operational expenses connected with carrying out of works, rendering of services, but also the opportunity of investment into alternative and power-saving projects become possible. Therefore one of the major problems at the realization of the state strategy on the regional ecological development is cultivating civilized character of the credit and the financial systems and their harmonization with the effective normative-legal mechanism.

The increase in ecological goods' and services' demand is connected with ecological projects' investment which realization is directed to the prevention (minimization) of the negative influence on the environment. An example of such realization is Russia's Program of Investments into environmental improvement, which is a component of the Project on the environmental management, financed by the loan means of the Russian Federation Government from the International Bank of Reconstruction and Development (IBRD). The Executive Directorate, which takes place in the structure of the Center of preparation and realization of the international projects' technical assistance, carries out the design-reinvestment cycle's efficient management. It also carries out selection, assessment and preparation of the investment projects for financing, and also organizes attraction of the Russian and foreign commercial banks', various funds', other creditors' and investors' means to financing investment projects [3, p. 162].

As it was noted above, the state regulation's perfection in the mentioned field of activity is

the important circumstance contributing to ecological business' development in Russia. It is caused by a number of reasons: market relations still being insufficiently used; difficulty for separate subjects of ecological business to accumulate means for ecologically directed investments; taking risk and long terms of pay-backs on highly-spent ecological innovations; products, works and services of the considered sphere are not claimed enough at the moment as the environment's preservation has not become the priority task of the corporate strategy of business.

The actual aspect from the point of view of the regional ecological business' development is making up ecological ratings of ecologically focused enterprises' activity in the conditions of realization of the stable development's principles on the basis of competitiveness indicators' definition in view of the ecological component. Such complex estimations haven't been carried out yet in the Russian economy; however the experience of such estimations' development and introduction at the Trading and Commercial Chamber of Russia is available [2, p. 111]. In our opinion, ratings can become the means of the public opinion's transformation into the effective tool of the regional ecological development's mechanism.

Innovational and socially-directed development of the regional ecological business provides the following things: inclusion of the ecological business' development into the priorities of the regional and budgetary policy; formation of the mechanism of the manufacturers' responsibility, adequate to the innovational way of development and formation of ecological business' priority directions; assistance to the development of ecological business' associations; support of the commercial and noncommercial organizations having developments in the sphere of ecological innovations through the system of government work; assistance to the ecological infrastructure's development; formation of ecological information system

(research centers, exhibitions-fairs furthering ecological innovations, electronic databanks, including regional cadastres of wastes); ecological education's development, continual ecological education for officials and managers; assistance to ecological advertising, ecological

leasing, venture funds' support; organization of inter-regional and international cooperation (realization of joint ecological projects, just like Finnish-Russian project "EcoPark as the development center of the sphere of processing wastes").

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