

## 3.2. THE SYSTEM OF MURMANSK OBLAST DEVELOPMENT PLANNING

The main strategic aim for Murmansk Oblast is the gradual transition from traditional extractive-oriented economy to innovational economy increasing at the same time role of infrastructure and transit transportation, which will help Oblast to be competitive in the surrounding geo-economic space.

Following strategic documents were developed and currently operate:

- Strategy for economic development for Murmansk Oblast till year 2015
- Program of socio-economic development for Murmansk Oblast for the period 2004-2008

### 3.2.1 The strategy of economic development for Murmansk Oblast till year 2015

The central task of the Strategy is to increase competitiveness of the regional economy.

The Strategy determines both concrete task for every basic complex and also general tasks and the ways of diversification of production and increasing pace of economic development.

#### The main tasks of the Strategy

- diversification of production, creating and mastering new technologies, implementation of innovations;
- optimizing productive and marketing infrastructure;
- restructuring and technical re-equipment of enterprises;
- increasing the degree of integration in the use of raw materials and more effective processing of raw materials;
- decreasing costs and power intensity, improving ecological standards of production and other tasks

Besides the main tasks in the basic sectors the Strategy determines **priority directions**:

- creating conditions for increasing competitiveness of production and services of Oblast;
- training personnel for all industries and sectors, primarily for mastering high technologies;
- improving business climate and developing small-scale entrepreneurship.

#### Priorities of economic policy of the government of Oblast

- Supporting highly efficient activities of enterprises, implementing innovative technologies, and mastering of high-tech and perspective products.
- Resolving the problem of self-sufficiency of Oblast in supplying of hydrocarbon fuel and stimulating of energy-saving technologies.
- Optimizing the federal legislation in the sphere of fishery (tariff legislation, tax law etc.), guarantying fair distribution of quotas for the right for fishing the most valuable species of fish and other hydrocoles, optimal organization of fishing in the coastal zone, and processing of fish and seafood at local enterprises.
- Supporting agricultural production.
- Forming conditions for increasing competitiveness of the products and services of Murmansk Oblast enterprises.
- Training personnel for all industries and sectors, and primarily for mastering of the informational and high-end technologies;
- Improving business climate and developing small-scale entrepreneurship.

Analysis of the existing problems and opportunities has revealed five basic complexes, which will essentially determine pace and proportions of the economic development of Oblast both in middle- and long-term perspective, will ensure employment for population, will help to elaborate consolidated budget, and also will determine the needs for construction industry capacities, the success of small-scale and middle-scale business and implementation of the scientific and technical advances.

- mining complex;
- fuel and energy complex;
- fishing industry;
- transport and communications complex;
- agroindustrial complex

In the recent years the Strategy was supplemented with new sections:

- The strategy for the development of tourism in Murmansk Oblast up to the year 2015,
- The strategy for the development of science, scientific and technological, and innovative activities in Murmansk Oblast up to the year 2015,
- The strategy for the development of construction complex up to the year 2015.

Taking into account the basic ideas of the Strategy the forecasts of socio-economic development and target programs are elaborated and also annual plan for the activities of the government of Oblast is developed.

### 3.2.2. Results of the Strategy of economic development for Murmansk Oblast up to the year 2015 implementation

In 2005 the volume of **total regional product (TRP)** has exceeded the target set in the Strategy by 0.2%. The growth of the real volume of TRP compared to the year 2000 was 108.1%.

One of the tasks set by the Strategy is the **reproduction of mineral and raw materials base**. In 2005 compared to 2000 the volume of geological surveys financed from various sources increased almost two times. The state commission set permanent standards for estimation of the volume of titan ore deposits in the field South-Eastern Gremyakh, and is currently estimating the deposits of chromite ore at Sopcheozero field. This year deposits of platinum ore at three different fields will be submitted for estimation and certification.

In 2001-2005 the volume of production of the enterprises of mining complex has grown by 15% and exceeded the standards set by the Strategy. It happened because of the favorable situation at the domestic and international markets, the measures undertaken for the restructuring of the enterprises, modernization of the manufacturing process, implementation of modern technologies, preparation for the exploitation of new ore bodies and horizons.

The mineral and raw materials base of the enterprise besides copper-nickel ores will be expanded by the usage of cromite, ilmenite-titaniferous magnetite ores, and also by the usage of platinum group metals' ores and gold. The geological survey of the deposits of chromite ore at Sopcheozero field has been completed. The experts of the company are completing industrial and technological testing of titanium ore deposits at the field Gremyaha-Vyrmes, which production will nicely fit into Russian market.

The realization of the program of development of the **public corporation "Apatit"** for putting in operation of the new production capacities allows to guarantee the preservation of the volume of production at the level of 8.5-9 millions tons up to the year 2015, and provides the foundation for the sustainable operation of the enterprise up to the year 2050. One of the new horizons +172 meters was recently put in operation.

One of the major activities of the Strategy, which has been successfully realized at the Olenegorsk ore mining and processing enterprise (OMPE), is developing the ore deposits at deep horizons by means of the novel for the enterprise underground technology. While the deposits at the quarry are dwindling this technology ensures the perspectives for the sustainable and efficient operations no less than for 20 years. Cardinal improvement of the situation at Olenegorsk OMPE, where just four years ago very few employees were optimistic concerning the future of the enterprise, could serve as an example of the active influence of the Commission on the realization of the targets of the Strategy.

**Kandalaksha aluminum plant** successfully fulfilling strategic tasks has become one of the best plants in Russia, considering the culture of production process and ability to resolve ecological problems. The construction of the complex for the dry gas purification costing 20 million US dollar has been completed. The complex allows recycling about 99% of the industrial discharge, and also to decrease the consumption of raw materials and to increase the efficiency of production process. The plant has become two times more safe for the environment. The owners of the plant plan to make essential investment into modern technology, which will allow increasing the output of the primary aluminum thrice. This large-scale (even according to Russian standards) investment project was included into the program of socio-economic development and could determine the pace of the economic development of Oblast in the medium-term perspective; unfortunately its realization has been unreasonably delayed.



The complex of the measures aimed at **modernization and partial renovation of fishing fleet and development of fish-breeding** allowed fishery complex of the Oblast in 2005 to exceed the targets set in the Strategy. So, the catch of fish and seafood amounted 552 thousand tons, which was 8% percent higher than the estimated value set in the Strategy. The production of fish food will exceed the target number in 1.5 times (477 tons). To the significant degree that was the result of more efficient processing of the products.

In 2005 **all kinds of transport** delivered 34.18 millions of tons of freight (106.6% compared with the year 2000), which is somewhat higher than target number set in the Strategy.

The volumes of the cargo handling at Murmansk commercial sea port has exceeded targets set in the Strategy by 40%, because of significant growth of the export shipments of coal.

The agriculture in the region retained its significance in providing food and dietetic foodstuff for population.

In the past Oblast government has made a principal decision to increase budget allocations for the agricultural sector twice, which helped to stabilize the situation and for the first time during the last three years to ensure positive dynamics in milk, eggs and other food production. The milk production of cows in Oblast is one of the highest in Russian Federation: on average 6.4 thousand kilograms per a cow and at some farms it is even higher than 9 thousand kilograms per a cow. There are still some obstacles for attaining the targets set in the Strategy: huge debts from the past years, backward technologies and unbalanced and unfair prices for agricultural production compared with the prices for agricultural equipment. It is expected that following the announcement of the development of agricultural industry as one of the national projects the essential support will be provided for the agricultural sector of Murmansk Oblast.

The situation at the labor market is improving, nevertheless the average annual rate of the officially registered unemployment, although it is expected to be somewhat lower than estimated in the Strategy, will remain higher than the average for Russian. (The wages and income of population grew faster than It was estimated in the strategy).

With the purpose of fulfilling the labor market needs and forming the structure of professional education the **regional task program "The provision of the qualified labor force for the realization of the Strategy for the economic development of Murmansk Oblast for the period up to the year 2015. The first stage - 2004-2006"** was approved and is realized. In the framework of the Program the structure of the regional demand for educating and training of the specialist in the system of primary, secondary and college education is being prepared. The integrated open informational database of the organizations providing professional education and training in Oblast was created.

**Two universities of Oblast and more than 30 departments** of the colleges and universities from the other regions of Russia provide advanced professional education and training for the new and traditional professions.

It is planned to open in Apatity the new university - Kola State University using the facilities of Kola department of Petrozavodsk university, Kirovsk department of Kostroma State university and the department of St. Petersburg State Engineering and Economic university, and also Khibiny technical college, and Apatity vocational college. All aforementioned educational organizations will be integrated into multilevel educational complex. Apatity is a good choice for the opening of a new university, considering the presence of the Kola Research Center and numerous young people, who want to get college degrees.

There are some other measures for the training of the highly-qualified specialists for implementing of novel technologies. This year, in October, the trilateral agreement was signed by the government of Murmansk Oblast, Norwegian company "HYDRO" - the world leader for the underwater equipment for the development of hydrocarbon deposits and Murmansk State Technical University (MGTU). MGTU will become the first university in the region, which will use international programs for training the specialist for oil and gas complex. In November the agreement was signed by the government of Murmansk Oblast and public corporation "GAZPROM", stipulating that 1.5 millions rubles will be granted for the training of specialists for oil and gas complex this year.

The Strategy stipulates for the creation of the basis for the innovational economy and gradual concentration of intellectual capital (new technologies, patents etc.).

During the last three years the substantial activity was performed aimed on creating the innovational infrastructure in Oblast. The regional legal database was prepared for the organization of the research and innovational activities. The content of the scientific research now better matches the needs of the industrial complex of Oblast; the research on the ecological and humanitarian issues was supported. The amount spent on research and development is more than 1.2 billions rubles - the second spending on this purpose in the federal region after St. Petersburg. More than 40 research projects were financed jointly by the budget of Oblast and Russian fund for fundamental research.

One of the important tasks, which the government of Murmansk Oblast is currently realizing is the development of the innovational infrastructure for the city Apatity as a research center or "naurkograd". More than the half of the basic production assets of the city are owned by organizations and enterprises of the research-and-production complex, primarily by the institutes affiliated to Kola Research Center of Russian Academy of Sciences (KRC RAS). Public company "Severnye Kristally" (Northern Crystals), which is one of the largest in Russia enterprises, making monocrystals for laser optics is located at Apatity, the "Technological Park Apatity" was created on the basis of the KRC RAS, which unites 4 innovational enterprises, created on the basis of research of KRC RAS and financed by Fund for the support of the small-scale enterprises in the scientific and technical sphere. The center for transfer of technologies has started operating.

The special economic zone, aimed on implementation of innovational technologies is planned. The enterprises located in the zone will implement the technologies of the managed synthesis of the substances with predetermined properties for the "break-through" technological processes. (The documentation for the creation of the special economic zone, aimed on implementation of innovational technologies was submitted to the Ministry of economic development with the purpose to participate in the contest for the creation of the special zones). This year the project for the business incubator in Oblast was prepared and will be realized.