

SOCIO-ECONOMIC DEVELOPMENT STRATEGY

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About the Socio-Economic Development Prospects in the Vologda Oblast

Interview with Kozhevnikov A.V.,
Deputy Governor of the Vologda Oblast



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The presence of a strategic planning system is one of the basic conditions of sustainable development of territories in the long term. According to Federal Law 172-FZ of June 28, 2014 “On strategic planning in the Russian Federation”, strategic development plans for constituent entities of the Russian Federation are an integral element of strategic planning in the country. In recent years, the regions were actively engaged in the elaboration of relevant documents. The Vologda Oblast was no exception; here the Socio-Economic Development Strategy for the period until 2030 was approved in October 2016. We discussed key points of the Strategy and development prospects in the region with Aleksei Viktorovich Kozhevnikov, Deputy Governor in charge of strategic planning and socio-economic development.

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– **Aleksei Viktorovich, you took an active part in the elaboration of the Strategy for socio-economic development of the Vologda Oblast for the period up to 2030. The main goal defined in the document, is “to promote the preservation of the demographic potential and human capital accumulation with the help of regional economic competitiveness and formation of development space”. In your opinion, how realistic is this goal?**

– Without any doubt this goal is achievable, and the region is able to implement the challenges set before it. In order to achieve the goal, emphasis is placed on the main priorities: preservation of population (demography), human capital, creating a competitive future economy (economics of high technology), balanced spatial development of the territory, efficient state and municipal administration, and environmental well-being.

– **Why is the demographic aspect considered to be a basis of the future prosperity in the region?**

– Analysis of the sources of long-term economic growth in different countries shows that areas with a growing population, which has a high proportion of persons of working age, tend to have higher rates of economic development and the dynamics of domestic product. People, population, the preservation of the nation – these are the main components of sustainable social-economic development.

The inhabitants of the territory form the internal demand for products and services and

generate new knowledge and innovative developments. In the end, the people of the territory provide its strategic competitiveness. In our opinion, external challenges and threats can be overcome only if population is growing.

There is a strong direct correlation between economic growth (as measured by GDP growth) and population dynamics. Based on the study of indicators of the sample of countries with the biggest size of their economies (37 countries with open statistics were considered), the results were obtained about the direct relationship between average GDP growth and average annual dynamics of the population. Moreover, the population growth at 1% per year has led to the growth of GDP in the long-term trend by 1.9 %.

Analyzing the sources of economic growth of individual countries, we can argue that it is provided, primarily, by an increase in spending on final consumption (growth of consumer demand). The growing population generates a higher level of domestic demand for civilian goods.

Another determinant of higher growth rates in the countries with growing populations is investment activity – the second largest source of GDP growth due to the demographic component. The growing population causes qualitative improvements contributing to an increase in investment activity in the territories that have highly qualified personnel and favorable innovation climate.

Simultaneously, in the countries with a high dynamics of the number of population, a higher level of development of industry, agriculture, and the sphere of services was identified. There are also higher values of the indicators of the standard of living and quality of life, in particular, the expenses on goods and services.

The study of the dynamics of statistical data for Russian regions also proves that economic growth is higher in the places where population is growing continuously.

– **How do you see the “future image” of the Vologda Oblast from the point of view of development of its production sector?**

The Vologda Oblast in 2030 is a region with high-tech industrial potential, integrated into national and international chains of added value creation. In the oblast there is an accelerated development of production typical of the fifth and sixth technological paradigms due to the constant renewal of products and technologies, growth of labor productivity, reduction of costs, and provision of leadership in quality. Due to the growth of value added that is localized in the region, it is among the 15 leading regions by volume of gross regional product per capita and the 15 leading regions by volume of shipped industrial goods per capita.

To achieve this goal it is planned to solve the following set of key objectives:

– to increase the diversification of industries by increasing the value added in the segment of priority high-tech, medium-

tech and basic industries; to shift to a “new industrialization” associated with the formation, development and introduction of advanced technologies of the fifth and sixth technological paradigms;

– to create conditions and incentives for localization of production in the Vologda Oblast of products with high added value and innovative products by embedding them in the existing and developing technological chains;

– to create and develop industrial infrastructure, including industrial parks (Sheksna, Cherepovets, Vologda, Sokol); to promote the participation of oblast industrial subjects in the draft National technology initiatives;

– to create a special economic zone of industrial and production type for the deep processing of wood;

– to create and develop industrial clusters in order to integrate production chains, localized entirely or mainly in the territory of the region in priority sectors of the industry: “Metallurgy, polymers and composites”, “Chemical cluster”, “Engineering cluster”, “Housing and construction industry cluster”, “Biotech cluster”, “Timber cluster”;

– to create and develop the infrastructure to support activities in the field of industry, including modern engineering, design, testing and certification;

– to create conditions for productivity growth and formation of high-performance jobs in the segment of high-tech and medium-tech industries;

- to stimulate industrial enterprises to implement results of intellectual activities, to develop the production of innovative products;

- to create conditions for technological re-equipment of actors in the industry, to upgrade basic production assets taking into account the pace outstripping their deterioration;

- to create conditions for the development of intraregional, interregional and international cooperation of industrial enterprises located on the territory of the oblast, including by creating incentives to re-organize unified production and technological chains;

- to encourage actors in the field of industry to implement resource conservation, energy efficiency and environmental friendliness of products;

- to create conditions for promoting intraregional cooperation and integration of actors in the field of industry with the educational, scientific, financial organizations, subjects of small and medium enterprises acting as suppliers and providing high quality services;

- to increase the depth of processing of raw materials at industrial enterprises (including in the chemical industry, timber industry, production of construction materials, agro-industrial complex), with an increase in the share of value added created in the region.

- **In the Vologda Oblast, the economy is monostructural in nature, and metallurgical and chemical sectors prevail in its industrial production structure. Are there any fears that this dependence will be hard to overcome?**

On the contrary, we consider major “backbone” enterprises as a kind of “drive belt” to start the process of import substitution and develop small innovation entrepreneurship. Since 2014, the region is successfully implementing the project “Synergy of growth” that focuses on the creation of new productive jobs, ensuring a stable flow of payments to the budget, the increase in the number of small and medium businesses, growth of high-tech and science-intensive products, introduction of the latest developments in the production cycle and increase in the volumes of industrial production in the region. This project is an effective tool to establish production cooperation between large and small businesses, also in the framework of production of import-substituting products. In 2016 in the framework of the project “Synergy of growth” the total sum of the contracts signed was more than 12 billion rubles.

At the same time, the objective limitation of the project consists in the fact that it is mainly aimed at meeting the current needs of large enterprises, makes it possible to use the existing capacities of small and medium enterprises. Meanwhile, large enterprises

acquire a considerable amount of equipment and technology, including foreign one, part of which could potentially be produced in the Vologda Oblast (in this case it is not about how to produce all on our own; it is possible to talk about the development of individual productions with the prospect of entering the Russian and foreign markets).

Taking into account the positive experience of the project “Synergy of growth”, it is appropriate to effect its transition to a new quality – the project “Synergy of development”. Its difference from the project “Synergy of growth” may lie in the strategic approach: it is not only cooperation on the current item, but also, increasingly, mutually beneficial partnership between large enterprises, small and medium business, and the research and innovation sector on the basis of long-term development programs.

The presence of large productions that were created and upgraded in the past decade represents a competitive advantage, but so far it is clearly underutilized for the development of the region. Therefore, the task of stimulating the creation of high-tech industries should occupy a central place in the region’s socio-economic development strategy till 2030.

– **Currently, a lot is being said about the need for active import substitution. What processes in this regard are going on in the Vologda Oblast?**

– We consider import substitution as an important task, but, at the same time, as a kind of intermediate stage for recovering the manufacturing and engineering capability lost over the last quarter of the century. In the region there are small industrial enterprises that implement development projects of high-tech industries with high added value (import-substituting and export-oriented focus) that have the potential to become new growth points in the regional industry. Some of them are included in the draft regional plan for import substitution. It is necessary to set a goal to develop small high-tech companies towards their transition to the status and quality of medium business. Only in this case can they become “drivers” of economic growth for the territories. For this purpose it is necessary to create different incentives and preferences (including at the regional level), so that small businesses would be really interested in growth. Today the regional government has taken several steps in this direction. They include support for priority investment projects, preferential tools developed by the Ministry of Economic Development, assistance in obtaining support from the Ministry of Industry and Trade. An important step is the establishment of a regional fund to support the industry in which we see a key tool of target influence on the development of high-tech industries.

– **In modern conditions the sustainable competitiveness of the region is difficult to**

provide without the support of scientific and technological potential. How do you see the place of science in the system of strategic planning and management of regional development?

– From my point of view it does not make sense to set a goal “to develop science on all fronts”. Nor are there any prospects in developing some separate research areas independently (e.g., theoretical physics, chemistry, etc.), because the development of fundamental research in its purest form is a matter of federal competence, the region has no capacity or resources in this connection.

There should be a general purpose, to achieve which it is necessary to form research directions. Modern regionalism considers a relevant approach of justifying the development of the internal potential of territories (an example of effective implementation of this approach at the state level is the experience of South Korea). Given the movement of modern society from a vertically hierarchical model to a network model, we can say that the importance of activating internal potential of regions and local territories will only increase. In this regard, within the framework of the long-term development strategy of the region, the task of improving the quality of life should be fulfilled on the basis of ensuring economic growth through the most effective use of internal potential (natural resources, economic, and social potential). Thus, if a set of conditions for the development of

internal capacity is created, it will provide opportunities to develop the business, increase the attractiveness of the territory for external investors, business, and human resources.

Why I focus on this? Because it is possible to develop internal potential only on the basis of the scientific approach. It is not just about the economic aspects of the problem. If we talk, for example, about the transition from a raw materials model to a model of producing high added value in industries such as dairy farming and timber processing, it is necessary that regions have serious research teams of the global level in these areas. For example, if we remove ten rubles from one liter of raw milk or from one cubic meter of forest, and we can remove a hundred rubles, we must determine how we can remove the remaining 90 rubles and not give it away. If we set a task of minimizing socio-economic losses from the inevitable reduction of demand for the products of ferrous metallurgy, then it is necessary to develop the direction associated with the development of new materials (composites, etc.) and so on.

This requires our own developments, our own research teams, which will be integrated into the regional production network, and before which the region will set strategic and operational objectives. It is important that we should be able to monitor the effectiveness of these costs in real time, because we will have operational valuation reflecting the degree of implementation of socio-economic potential that has not been previously used.

In the framework of strategic planning, it is necessary to identify the key points of growth for the region, which would entwine scientific approach and strict practical calculation focused on long-term (25–30 years) result, and then to work out a roadmap for the development of each research areas (5–7 areas). These areas will be complexly interconnected, since they will be focused on achieving a common goal.

Considering the cyclical nature of scientific and technological development, currently, it is possible to lay the foundation of competitiveness in the long term. This, in turn, raises the question about the need for a strategic approach to building regional innovation systems that meet the future challenges of the external environment.

For the Vologda Oblast, whose economy has long been of a pronounced monostructural character with the dominance of industrial production in ferrous metallurgy, the task of diversification and increase of economic stability is a priority. This task cannot be accomplished without enhancing internal capacity and creating conditions for the development of new productions. We are talking about creating incentives for the growth of innovative activity, formation and realization of innovative projects of existing enterprises, and about “growing” a new entrepreneurship layer that has the potential to become a kind of “technological core” for the regional economy.

– What practical steps are being made in the region to build and enhance scientific and technological capacity?

– In 2015–2016, the oblast took some important steps toward establishing a system that helps create conditions for increasing technological and scientific potential, for its efficient use and for enhancing the development of innovative entrepreneurship. In previous years, there were only separate elements of this system: scientific grants, state prizes for science and technology, joint contests with the Russian Foundation for Humanities and the Russian Foundation for Basic Research.

In 2015, for the first time the Vologda Oblast held a competition of scientific-technological projects “Potential of the future”. The contest was held in five nominations: “Student” (for students of educational institutions implementing programs of primary general, secondary general, secondary vocational education and additional education of children, and groups of students consisting of one to three people and leaders of scientific-technological projects); “Youth creative work” (for persons 18 to 26 years of age or for groups of such persons consisting of one to three people and leaders of scientific-technological projects); “StartUp” (for individuals or groups of individuals consisting of not more than five persons; small businesses, the life span of which is not more than two years from the

date of state registration); “Development” (for legal entities engaged in R&D) and “Cooperation” (for legal entities that have a contract with an educational, scientific organization or small innovation enterprise in the performance of research or development work).

The work of the programs under the Fund for promoting the development of small forms of enterprises in scientific and technological sphere has been activated and assigned on a system basis. It served as a stimulus to identifying the internal resources of the oblast enterprises for the implementation of scientific and technological projects. If in 2014 under the different programs of the Foundation, the region attracted a total of 30 million rubles, then in 2015 – already 105 million rubles, and in 2016, this amount increased to 121 million rubles.

In addition to this, in 2015, at the regional level, two significant forms of support for R&D were established:

- subsidies for the implementation of innovation projects of small innovative enterprises of the oblast (up to 500 thousand rubles) allocated on a competitive basis to companies that have a valid contract with the Fund for assistance to the development of small forms of enterprises in scientific and technological sphere (in the framework of the project of the program “Start”);

- subsidies for the research and development work carried out by the enterprises of the oblast with the involvement

of educational institutions of higher education and scientific organizations situated on its territory (up to 1.5 million rubles).

Thus, at the regional level, significant steps have been taken in order to define the framework of the system for support and stimulation of creative activity of the population, and scientific-technological and innovation activity, which is planned to be developed further in the framework of a general project entitled “Innovation assembly line”.

– **In the past year, the Government made significant efforts to address the issue of creation of a RAS regional scientific center on the basis of existing academic institutions. How do you see the role of the scientific center in the system of regional governance?**

The attractiveness of the creation of Vologda scientific center of RAS for the region consists in the fact that it will be integrated into the system of strategic management of regional socio-economic development and focused, in addition to the study of fundamental scientific problems, on the solution of the problems of comprehensive development of territories. This process is currently running and will be carried out in stages.

We hope that in the future, Vologda scientific center will become a large multidisciplinary research institution with a full-time research staff up to 300 people; it will consist of 7–8 highly efficient units engaged in unique comprehensive

fundamental and applied research at an internationally recognized level, including those in the interests of the Vologda Oblast and the Northern economic region of the Russian Federation.

To achieve this goal, we must perform the following tasks:

- deepen and develop the fundamental theoretical and methodological approaches and methodological tools used in the research process;

- extend the thematic spectrum of ongoing research, develop new directions of research activities in breakthrough fundamental areas;

- generate scientific findings that have a high degree of practical importance, in the interests of the national economic complex of territories and bodies of state and municipal management;

- promote extended reproduction of scientific potential through the development of existing and formation of new scientific schools and a system-wide training of specialists of higher qualification.

The strategic goal is to transform the Center into an internationally competitive research institution that performs unique and complex fundamental and applied research that fulfills the needs of the region in the scientific justification of strategic directions, program and planned activities, the development of mechanisms and tools for the management of development of territories.

Customers of research findings can be not only state and municipal authorities, but also economic entities. For the latter, a new scientific organization will be a platform for marketing research and laboratory tests, a consulting center for business planning and attracting investment resources for the implementation of modernization and development programs.

Thus, a joint research center will allow us to develop the scientific potential of the Vologda Oblast to attract, as we hope, promising scientists, to implement high-tech projects that will eventually serve as an additional impetus to the development of the region.

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