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FROM THE CHIEF EDITOR



**Vladimir A.
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Dear readers,

The first three months of 2009 confirmed the fears of experts who spoke about the enduring nature of the global economic crisis. And it is obvious that the political and executive power in our country is based on this reality.

On February, 27, at the meeting with the leaders of the United Russia Party V.V. Putin assessed the situation in the global economy systematically and very soberly as well as Russia's limited opportunities to influence on its improvement. He said:

"We are closely following and analyzing global economic processes. For better or for worse, we depend on them. ...We have to say that the crisis is not over yet and has not even peaked. The efforts by the Governments of the most developed global economies have not yet produced any tangible results. This means that this situation may persist for a long time".

It should be noted that the Medvedev-Putin tandem efforts to explain the measures taken to temper the economy sharp downturn effects and the additional problems which the majority of the population faced with get its understanding.

The surveys show that that from May, 2008 to February, 2009¹ D. Medvedev and V. Putin activity approval appraisals remained the same: D. Medvedev – 71% (1 point plus), V. Putin – 78% (2 points minus).

However, one can not help but draw attention to the alarming figures, based on the polls, indicating people's reaction to changes in their personal life, family, nearest and dearest.

¹ Monitoring is carried out bimestrial by Yury Levada analytic center (Levada-center) according to national representative sampling of urban and rural population of Russia. In the survey 2000 respondents aged 16 and older are polled. Polls' results are available on the web-site: <http://www.levada.ru/>

Let us turn to such indicators as the Consumer Sentiment Index, psychological state, stock of patience.

According to the survey in February, 2009², Consumer Sentiment Index indicators returned to the level of 1997, the social mood ones to the level of 2003, and the stock of patience indicators to the level of 2006 (table 1, 2, 3).

It is very important that among the three submitted indicators stock of patience ones have changed least of all. It is evidence that different Russia's "well-wishers" both external and internal, which seek to cause a clash between Medvedev and Putin and on this tide again to weaken the central power, urge on separatist sentiments, to create conditions for the next "Perestroika", are not supported by the population. The Russian Federation President and the Chairman of the Government enjoy stable confidence as in February, 2008.

² Vologda Scientific and Coordinating Centre of CEMI RAS carries out opinion polls about region's population living conditions changes bimestrial.

Polls are carried out in the towns of Vologda and Cherepovetz as well as in 8 region's areas. The stratified sampling volume is 1500.

Representativeness of sample is provided by proportion between urban and rural population; proportion between different human settlements (rural human settlements, townlets and towns); sex and age related structure of region's adult population.

Questionnaire method is a respondent domiciliary poll. Sampling error is not more than 3%.

Polls' results are available on the web-site: on <http://www.vscac.ru/>.

Table 1. Consumer Sentiment Index indicators evolution in different population groups of the Vologda region (%)

February, 2008	107,3
February, 2009	69,5
Increase/ decrease (Feb. 2009 to Feb. 2008)	- 37,8
August, 2008	108,6
February, 2009	69,5
Increase/ decrease (Feb. 2009 to Aug. 2008)	-39,1
February, 2009 at level...	Oct. 1997

Table 2. Social mood dynamics in different population groups of the Vologda region (%)

	Normal state; in a good mood	Feel effort, irritation, fear, depression
February, 2008	67,4	23,5
February, 2009	49,2	20,1
Increase/ decrease (Feb. 2009 to Feb. 2008)	-18,2	-3,4
August, 2008	71,0	21,7
February, 2009	49,2	41,8
Increase/ decrease (Feb. 2009 to Aug. 2008)	-21,8	-20,1
February, 2009 at level ...	Feb. 2003	Feb. 2003

Table 3. Stock of patience level dynamics in different population groups of the Vologda region (%)

	To be quite well off; to have a difficult life but can be patient	It is impossible to be in great distress
February, 2008	83,0	7,7
February, 2009	72,6	18,1
Increase/ decrease (Feb. 2009 to Feb. 2008)	-10,4	-10,4
August, 2008	80,4	10,2
February, 2009	72,6	18,1
Increase/ decrease (Feb. 2009 to Aug. 2008)	-7,8	-7,9
February, 2009 at level ...	Oct. 2006	Oct. 2005

To answer the question “Who is guilty?” it is necessary to draw attention to far from being an ordinary official *Vladislav Surkov's* opinion³:

“All these years we have really accumulated resources. This was in all the official speeches. We said: «Behold, now we have acquired and are ready to invest in country's development. And we have been quite ready, but there is a crisis here again, and ... a rainy day has come. Optimists say that we have enough money for a year and a bit more. And it took eight years for it. I think the goal is rather pathetic for the people, who sometimes call himself the great and about which even the enemies sometimes tell that it is great. *I think if we have worked for eight years in order to accumulate reserves, which will allow us stand a year, stand anyhow, by no means not growing, but just anyhow spend the night or weather the storm. This is a pathetic goal.*”

I would find difficulty to quarrel with him that the crisis uncovered not only Russia's economy liberal model of the last eight years insolvency but the whole economic history of the last twenty years.

Answering the question “What to do?” State Duma Deputy, political scientist *Sergei Markov*, as I think, channelizes correctly. There is no doubt that it isn't unique but obligatory to achieve long-term positive results in the development of the country. These are real results in anti-corruption drive along the full vertical and horizontal power at all levels of economic and social life, what naturally leads to serious changes in personnel in the power elites at all levels.

“But the desire to reduce the corruption level has been demonstrated however to overcome it, we need the strength and political will. People will never believe that anti-corruption drive has begun till the regions is governed by extremely corrupt leaders”⁴.

“*Our ruling class is however business-bureaucracy you know and we see how effective it paralyzes any attempts of political leadership to start anti-corruption drive.*”⁵

³ The First Deputy of the RF President Administration Head V. Surkov's speech at economic section of the United Russia forum “Strategy-2020” on February, 9th, 2009.

⁴ The Izvestiya. — 2008. — №216. — November, 19th.

⁵ The Izvestiya. — 2009. — №39. — March, 11th.

Under the threat not only to economic stability conditions, but also at present to the political tandem Medvedev – Putin, it is necessary systematically and leaning upon the majority of the population to get visible results in the country's corruption level reduction, which largely can be a turning point to a new social and economic model of our society.

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The fifth issue of the journal opens its second year. In 2008 four issues came out in which more than 40 articles on strategy development, regional economy, social development, extended reproduction problems, information economy, foreign economic relations from Finland, Minsk, Moscow, St.-Petersburg and the North-West Federal District regions are published.

Institute of Economic Problems of Kola scientific centre RAS, Komi scientific centre of the Ural RAS department, Vologda scientific and coordinating centre RAS, Institute of Economics of Karelian scientific centre RAS actively participated in the journal's backlog of manuscripts formation. In 2008 Editorial Board of the journal was enlarged. Its new members are:

– **Peter A. Vityaz**, Presidium Chairman First deputy, Belarus NAS, academician, Doctor of Engineering, Professor;

– **Peter G. Nikitenko**, academician – secretary of humanities and arts department, Belarus NAS, academician, Doctor of Economics, Professor.

In 2009

– **Chang Shuhua**, Deputy Director of Documentation and Information centre, China Academy of Social Sciences, Doctor, Professor;

– **Olga V. Goncharuk**, acting Rector of St.-Petersburg State University of Engineering and Economics, Doctor of Economics, Professor also became new members of Editorial Board.

A group of scientific activists is gradually formed as well as institution of reviewers. Taking into account new requirements documents to be included to the list of the leading peer-reviewed scientific journals are submitted to the supreme certification commission of Education and Science Ministry of the RF.

Being up-to-date it is planned to publish the journal in English though it will take a pooling of material resources of RAS economics institutions – participants of journal issue. Print clone of the journal is placed on <http://jn.vsc.ac.ru>.

Editorial staff has come to agreement on the plan of issue in 2009 – 2010:

- The sixth issue will focus on small business development problems;
- The seventh issue will consider food security and agricultural sector problems.

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As it was planned, considerable part of publications in the fifth issue addresses the regional tourism development theme. Russian scientific and practical conference «Tourism as a factor for region's sustainable social and economic development and human potential growth» which will be held on April 16 – 18, 2009 in Vologda is also devoted to this problem. The conference coordinators are the Vologda region Committee on Tourism, Vologda Scientific and Coordination Center of the Russian Academy of Sciences and Vologda branch of St.-Petersburg State University of Engineering and Economics. Submitted materials are hoped to enable the conference participants to analyze the tourism territorial development problems and to tackle them under present-day conditions.

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Real economic and social problems associated with the world economic crisis impact on our country will certainly be the focus of editorial board. Dear readers and colleagues we are looking for your materials on the problems and prospects of regions' multi-dimensional life as well as your suggestions to improve it and make the country stronger.

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THE STRATEGY OF DEVELOPMENT



We offer the Vice-Governor of Vologda Region Nikolai Kostygov's interview, in which he expresses his point of view on the anti-crisis measures taken by the local authorities.

The Vologda region: anti-crisis action program

NIKOLAI VLADIMIROVICH, you are the Head of the Commission on providing stable economic functioning in the regional social sphere. What functions does it carry out?

Anti-crisis measures' structure, in short "AKM", is as follows. There exists the Headquarters of the efficient response, which studies the emerging problems and makes the information ready for discussing at the Inter-Agency Commission's sittings, headed by the Governor. The Commissions share the responsibilities such as supervising Industrial Complex and Small Business, Agro-Industrial Complex and Consumers' Market, Social Sphere and Labour Market, and Public Safety.

The Regional Government has approved the Plan for Actions and the Measures for providing steady economic and social functioning. These documents unite the steps of organizing character, which support the real economic sector, small and medium-size enterprises, agro-industrial complex, consumers' market, housing and communal services, optimization of budgetary relations. These documents are also the basis for the regional legal base's formation, which provides

the realization of the measures for the achievement of social and economic stability.

A separate section includes the Measures on employment. Its basis is the Program, approved by the Vologda Region Government and by the Federal Inter-Agency Workgroup on monitoring of the labour market; the Program is entitled as "Assistance to the populace employment, including the group of citizens under the risk of discharging in 2009". After its adoption we expect to get the considerable financial support of 800 million rubles from the Federal Budget. Besides, the "Measures" contain Regional Government's proposals on the steady economic and social functioning; realizing all these proposals is carried out by the Federal Authorities.

A separate section of the "Measures..." is devoted to the steps on regulation of the social and economic position at the municipal level.

Some of these measures have already been fulfilled.

It's not a secret that Vologda region ranks among the regions, which more than the others have suffered from the financial crisis. For instance, "Severstal", which formed of about

40 per cent of the regional profits, is in heavy economic position now. Thus, we can foresee that this year only 56 per cent of the regional budget will be fulfilled (in comparison with the last year situation). So we have difference in 18 or 19 billion rubles. And it will be very difficult for us to cope with this situation without the federal support.

In March we are going to approve the corrected regional budget. According to the most pessimistic prognosis, we'll have an opportunity to pay out wages, fulfill social liabilities, and finance some other important social programs on medicinal provisioning, vaccine prophylaxis, pancreatic diabetes. But we shall have to postpone financing all the rest projects, such as the expenses on capital construction and repair works. I'd like to underline that all those activities will be postponed, not stopped at all.

We expect the industry to work at the level of 85 per cent of its productiveness, in comparison with its last year production level. The most important thing now is to study the market, to make our enterprises pay more attention to the home market. We should analyze the situation and to find out what can be done by the regional enterprises in the sphere of government work. Another important problem is that should carefully study the situation at the food market; the main aim of the latter is to provide 11 kinds of necessary food products. In local areas trilateral commissions conclude contracts on the main issue, that's it, on workplaces' reservation. Our aim is to do our best to keep people busy and not to discharge them. In case of getting the financial support from the federal budget we'll pay to those enterprises which managed to reserve workplaces.

On the 3^d of February the Regional inter-branch agreement between the Vologda Regional Trade-Unions' Federation, the Regional Union of Employers "Vologda Region Union of Manufacturers and Businessmen", the Agro-industrial Union, the Association "Municipal Regional Establishments' Council" and the

Vologda Regional Government on the matter of regulation of the situation at the labour-market in 2009 was completed.

You have mentioned the Inter-Agency Commission which sittings are presided by the Governor himself. During one of them the Program on the Support of the Small Business was adopted. What results do you expect to get from its carrying out, how many vacancies is it possible to form due to its realization? Whom will the businessmen address to in case if they want to get grants and other types of state assistance?

First, there are three "hot lines" at the Department of Economics, at the Department of Employment, and at the Business-Center where one can get all the necessary consultations. What do we expect to get? According to our prognosis, there will appear 23 thousand unemployed people in Vologda region. Some of them will be able to find the jobs themselves; the others will get the opportunity to change their professional directivity. But we also expect a lot of people get involved into small business, so we have approved all the mentioned measures in order to help such people. At this point it is very important to explain to people that the crisis is not that endless one. Those Vologdians who will start their business, will have to start it from the very beginning. If we help them, if we show them the correct direction of the development, if we give them start capital, grants or lodgments, we can expect great results. It's hard to predict how many newcomers will appear in business. It's very important to remember that if one works hard and honest, if one pays taxes, this person will get the legal business and the federal authorities will help him or her.

What steps are taken by the regional authorities in order to support the real economic sector? You have already mentioned the drop in steel production. Besides, house-building and forestry also suffered from the crisis...

Just as 12 years ago, the Governor addressed to the metallurgists with the proposal of the support and help. The enterprise got considerable support at the legislative level. And in the end the enterprise paid back its debt. We also organized the special commission on our interaction with “Severstal”. 14 social and domestic objects became the city’s responsibility. “Severstal” is on the list of the most important enterprises which will be given the federal support. Another direction of our activity is the employment assistance to the discharged “Severstal” workers.

At the turn of the last year the regional budget provided 164,5 million rubles for buying chemical fertilizers for Vologda farming.

We are constantly studying the processes in the economic situation. To this day none of the enterprises has announced that it stopped production. But some of the large-scale enterprises arouse anxiety. For instance, it is the Vologda Bearing Plant, which is directly connected with automobile industry. There are also some enterprises which need our prompt support; they are the flax-scutching mill at Krasavino, the woodshop at Monseno, the woodshop at Sokol. We try to settle the problems in the field of poultry breeding. Poultry factories are in debt to the power suppliers, and they have problems with discharging of taxes. Jointly with the new investor we are trying to revive the pig-breeding farm at Nadeevo. But in general we don’t have any reasons to expect a social outburst.

How would you characterize the situation in the areas?

The crisis is not so evident in the areas. The bases of the rural economic activities are the small-scale enterprises, forestry, and agriculture. The logging enterprises’ productive efficiency amounts 90 per cent in comparison to the last year production. No disastrous effects are prognosed. We have worked out the number of measures in order to help the foresters. A lot of our proposals were approved

at the Foresters’ Council sitting, presided by the first Vice-Prime-Minister Victor Zubkov. We have always tried to give the maximum support to the rural economy. Special attention is paid to the linen industry. The villagers were given the task to sow with linen 10 thousand hectares. There all the necessary sources for carrying out this task, such as seeds, machinery, and farm-hands. But also we constantly remind the officials that it’s too early to calm down. The worst thing that can be done at the time of crisis is self-calming. The local authorities are to be attentive to people and to state the Government’s position to people.

We also should mention the governing optimization, the reduction of the expenses...

During the elections in March we set the task of uniting some settlements. The same work was done at the October ballot. It’s also a part of the anti-crisis program because we managed to reduce administrative staff machinery. There are a lot of rumors now on the points of closing down schools and reducing the number of in-patients at hospitals. The Governor has always told that we must be led by the common sense only. The amount of 7,5 billion rubles of inoperative expenses, every year noted by the Treasury Department, is too great. So we shall have to close down the schools with small number of the pupils. But we’ll do that according to the inhabitants’ agreement and with careful economic estimation.

Nowadays difficulties are temporary. In your opinion, what changes will occur in the regional economy in the situation of the crisis?

Now we know that the word “crisis” is taken from Greek and it means “refinement” and “justice”. We hope to meet the crisis refined from unprincipled and inoperative officials. We expect new people to come and to fulfill economic policy. We’ve got a lot of plans. We must become even more strong and confident in the rightfulness of the taken course in the development of the regional economy.

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The crisis influence on economy of Karelia and opportunity of its overcoming

In this article the main causes of the global financial crisis and its influence on the economy of the autonomy of Karelia are presented in brief. It influences the timber industry complex, the banking area, and as a result the social sphere in Karelia's economy. In this under-populated region the small-scale enterprises' activity plays an important role under the circumstances of the critical situation. In this article the ways and opportunities of the overcoming the crisis by means of the invariant decisions are represented.

Karelia Autonomy, anti-crisis measures, the steps of realization.



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The global economic system is a special structure of relations between producers and consumers of goods and services. Crisis appears in case of imbalance between the elements of this system. Crisis can be influenced on by the epoch's peculiarities, by the level of the economic development of a country, its integration into the world's system, and by the complex of economic and political processes during the crisis times. The frequency of the economic crises' appearance, their intensity, and the periods of their duration depend on the destruction degree in the main reproduction ratios.

The global financial crisis, having started in the USA in the mortgage lending sector, influences the social and economic situation in Karelia autonomy. After having influenced both the timber industry complex and the banking area, it shows up in the social sphere.

Any crisis can be defined as a hard transitional state or a turning-point with serious consequences. There exist different types of crises such as agrarian, stock-exchange, currency, industrial, and transport ones. The special type is made up of economic crises. During the period of their duration the main ratios of the reproduction processes and the unified econom-

ic system of the normal social operation are broken. There appear disparities among the types of economic activity. These disparities show up in the production volume's decay, in the investment of capital's reduction, in bankruptcy number's increasing, in stock depreciation, in unemployment's growth, in living standards' fall, in social discontent rise, and in the other negative phenomena.

Both financial and economic crises interfere the world's economic system in general and different countries separately; but the scales of all these crises differ. They can appear within the period from 2 to 10 years, with the average frequency of 4 years, being characterized by different degrees of expansion and caused harm. Bank and transport systems, trade and land sectors, stock exchanges become more vulnerable at the times of crisis. But in all cases those economic sectors which suffered most of all, recovered and passed on to the new level of development.

The crisis dating back to the mid-2008 is global. Its appearance was caused by the wish of all the participants of the economic process to get the maximum profits by means of minimal expenses and in the shortest space of time. The USA credit system turned out to be the weak point in the world's economic system. In many experts' opinions, the crisis' preconditions can be found at the beginning of 1990s, when high-risky financial steps were taken, the mortgage lending of the persons with low incomes or bad credit events was expended. Low rates in the mortgage lending helped raise demand, and everybody was satisfied, as the consumer got the flat, the bank got its profits, and the insurer got the premium. Thus the credit system, having enclosed all the markets on it, made them dependent on their liquidity and solvency. Not tangible assets, but credit contracts became the object of insurance. The scopes of sold and bought credits exceeded the scopes of mortgage credits themselves. The unlimited credit expansion took place. The credits became cheaper, people started to buy fixed property, cars, and the other objects for

comfortable existence. As a result in 2007 the crisis of the USA mortgage credit broke out. Then from the crisis in the sphere of fixed property it grew into the crisis in the sphere of real economy, it caused the setback in production, which became the forerunner for the global financial and economic crisis.

The crisis of the hypothec system, having shown the mistakes in the legislative control and the danger of the tolerant monetary policy, taught severe lessons of necessary management in the field of financial risks. As the financial systems of Europe and the USA are closely related, both had losses.

For some time the governments of the mentioned countries were partly solving their banks' problems. But the problems emerged more rapidly than the authorities could settle them, as a result the world's market drew near panic. The crisis emerged in many countries such as Great Britain, Hong Kong, Denmark, Ireland, Iceland, Italy, Canada, Latvia, Netherlands, Russia, Taiwan, Ukraine, France, Switzerland, Sweden, Estonia, South Korea, and Japan.

The economic growth went down, the unemployment extended, the number of corporate bankruptcy increased. The property sale abruptly dropped, the fixed property's prices eased, the mortgage lending's market also reduced. The car sales abruptly reduced, housebuilding is at the point of stop now. So we can say that the situation is rather serious. The leaders of the 15 states, making up European Union, agreed to introduce the system of state guarantees for the credits, carrying out by banks, and to provide budget support to financial establishments. Such decision was appreciated by the observers as the recognition of the global nature of the crisis, demanding coordinated actions from the direction of the leading economic systems.

Our country hasn't escaped the crisis. Its impact on the Russian economy can be both positive and negative. Due to liberalization Russia became the part of the world's system, a lot of Russian companies are involved into international division of labour. Russian large-

scale enterprises entered into trading relations with foreign companies. As a rule, in such situations only a few large-scale contracts between limited number of countries are made. In this situation the main financial rule not to “put all the eggs into one basket” was broken.

According to the analysts’ opinions, the Russian managers never minded the risks, considering the situation in foreign banks to be safe. They absolutely forgot that the prime costs of goods and services is made up of the costs of natural resources, raw materials, fuel, energy, basic assets, labour sources and some other types of expenses for their production and sale. The Russian businessmen have never tried to reduce production costs. The production expenses were not controlled; the prices, having been fixed arbitrarily, were often unreasonable. Unfortunately, in reality the prime costs of goods and services haven’t become one of the most important activities necessary for managing a business. At the same time in Russia risk credits also appeared, and the consumers’ market started to develop on trust and in instalments. The development was based on credit sources without thinking of any risks. So the economy of this country will be influenced by the global crisis and even with the existence of the general state anti-crisis program there will be difficulties in the economic life of the country.

Karelia autonomy is a part of Russian Federation. And its economy is a part of the Russian economic system, which is made up of a number of subsystems, carrying out different economical activities. The management of the autonomy’s economy has its own aims, functions, principles, methods, machinery of governing. So, crisis events will show up in the autonomy’s economy. Partly this influence is reduced by the anti-crisis measures, proposed by the Russia’s and the Karelia’s governments. The autonomy’s economy keeps the production rate taken in 2007. But it doesn’t mean that we can calm down. All the types of economic activity will be influenced by the global crisis.

Some enterprises working for the foreign market, such as “Pegas International”, “AEK”, “Segezhs CPK”, “Kondopoga”, “Karelsky okatysh”, “Nadvoitsky Aluminium Factory”, “Petrozavodskmash” have already suffered from the crisis. They have to stop production or to reduce yield because the foreign market has reduced. For instance, the leaders of “Segezhs CPK” used a very hard variant, they stopped the production and discharged 600 persons. The leaders of “Kostomukshsky GOK” and “Nadvoitsky Aluminium Factory” chose more gentle variant and just reduced the volume of output, the wage-fund and introduced underemployment, without dismissal. But in general about 2,5 thousand people can be discharged on the territory of the autonomy, mainly those ones whose professional level doesn’t meet the market’s requirements.

The global financial crisis negatively influenced the autonomy’s forestry. For studying this situation at the enterprises the working group has been formed; and it was headed by the Prime-Minister of the Karelia Autonomy’s Government A. Kolesov.

During the first six months of 2008 the production level at the forestry complex remained at the level of 2007, except the carving wood production. Because of the considerable growth of the carving wood prime costs and the landslide of prices for the exported carving wood its production became unprofitable. In such situation wood-working enterprises try to direct the production distribution to the home market, but such processes need time. For instance, a wood-working enterprise “Pegas International” couldn’t pay wages to its workers because of the crisis at the USA housing market, when there wasn’t any demand for edged boards.

In August and September 2008 the negative tendencies showed up in the pulp and paper industry. In general the index of the industrial production was 100,9% for 9 months, from them 99,7% belong to the pulp and paper branch and 84,5% belong to the wood-working industry. In logging industry the production levels on the wood storage and export are still

the same. But the financial situation at some logging enterprises is growing worse. Such situation became possible because of the sales slowdown from the direction of the pulp and paper enterprises and because of the possibility of buying the cheaper raw materials from the neighbor regions, and in its turn it causes the payment delay. Though the situation within this industry is rather hard, “Kondopoga” and “Pulp Plant Pitkyaranta” handle their task.

A difficult situation can be observed at “Investlesprom”. During the period from January to September 2008 this holding company produced 104% of paper, 83 % of cardboard, 90% of sacks in comparison with the results of the previous year. In the market the recession in demand for these products is being observed, so the enterprise had to reduce the volume of output. Within this branch the crisis became the serious obstacle for the realization of the investment project on the retrofit installation at this industrial complex. In the crisis’ situation “Segezhpap” went out into stoppage in 2008 and remained in that state in January 2009.

In general the industrial output went down as a result of recession in demand for Karelia enterprises’ production. Both Russian and foreign partners diminished the customs of timber and iron ore. The assembly production has almost stopped. The period contracts are broken, and in this case delivered goods and rendered services are not paid for. The producers stopped goods delivery, and the products are kept in stocks. Cargo transportation by rail also suffers damage because it has reduced almost twice.

The banking sector raised the rates and reduced financing, working with the patrons only. The deposit outflow from the autonomy’s banks increased.

The number of the sources supplying the customer demands started to reduce. In view of the inflation people are losing their purchasing capacity. At the end of 2008 the autonomy’s budget hasn’t got 500 million rubles.

All the mentioned events give warning of the coming crisis in Karelia. Both the Russia’s government and the Karelia’s government try to stabilize the economic situation and to find the opportunities to support the inhabitants.

In November 2008 at the Legislative Assembly’s sitting the deputies expressed their anxiety about the global crisis’ influence on the autonomy’s economy. In particular the crisis can influence the wage payments in the social sphere’s establishments. In such situation Karelia’s government planned to reduce the expenses on the support of the State machinery. Besides, some investment programs will be postponed. The autonomy’s budgeted deficit is 9,9%.

It’s hard to manage the economy at the crisis times because the leader has to make decisions in the circumstances of ambiguity.

For managing the autonomy’s economy one has to use invariant decisions of the emerging problems. All the decisions must be prepared and analyzed by specialists, and those decisions must be approved by competent officials. The principal aim of this program is not only to survive the crisis, but also to raise Karelian products’ competitive ability by means of improving its quality and lowering its prime cost, of diversifying the autonomy’s economic structure, of rupturing from the single-territorial arrangement (when the town’s economy depended on the activity of the only one enterprise). The realization of this program will allow paying wages promptly, keeping the necessary number of vacancies, and supporting the Karelian products’ competitive ability.

One of the bases in the anti-crisis program will be systems analysis, and the main procedure will be the constructing of the generalized model, reflecting all the factors and the interactions of the real situation.

Those who were discharged are protected by the Russian legislative norms. First for six month such people must get the average wages and then they must get the doles. The auto-

my's placement services should train them in new professions called for in the labour market, and then to provide employment assistance. It's necessary to create jobs in the sphere of housing and communal services. 4 billion rubles will be spent on social support of the inhabitants in 2009. 110 thousand autonomy's inhabitants will get support. The Government takes steps to prevent mass discharging and re-consideration of the collective agreements.

The autonomy's authorities provide support to the Karelia's enterprises by including them into investment programs. In 2009 it is supposed to find 300 million rubles for the enhancement and reconstruction of the housing and communal services' objects and to use 100 million rubles for getting ready for winter. To reduce the crisis impact the autonomy's authorities introduced the lower rent for the usage of the state belonging, and the lower profits tax concerning the credits, having been taken for the realization of the investment projects. Also it is considered to keep the rates at the autonomy's level and to limit the prices' growth for the natural monopolies' services.

The Russian Federation Government directed the financing to the road-building, and in this way it'll keep the demand for crushed stones.

In the circumstances of the crisis a special role belongs to the small-scale enterprises. In such situation the Russian Federation Government strengthens the support of the small-scale business. The problem of creating the fund to support the small-scale enterprises' development is being solved now.

First of all the crisis will strike those enterprises of the real economic sector, which depend on the credit resources. The real situation is that some enterprises will have to postpone their investment projects and they can be expected to start unjustified discharging, reduction of working hours etc.

Under the circumstances of crisis it's very important to use the possessed sources affectively. Each enterprise should control the prime costs of the products, services, raw materials, fuel, energy, basic assets, labour sources and some other types of expenses for the production and sale. The trade area will suffer the least. The inhabitants will continue to use this sphere actively, but the number of products, making up the basket of goods, will be reduced. In general in this area the economic situation is rather auspicious.

In such circumstances the government must support business initiatives. For this purpose on the territory of the autonomy it is necessary to organize anti-crisis authorities which jointly with the Federal Banks' branches will help to keep the business infrastructure. Such authority will be able to carry out the control over the realization of the anti-crisis measures locally.

Having taken these and the other steps, Autonomy Karelia's Government will be able to fulfill anti-crisis measures efficiently. According to the specialists' opinions, the crisis will be possibly overcome in 1,5 or 2 years. The spring of 2009 can be characterized as the time of the changes to the best. After the adaptation to the new conditions starting from 2010, all types of the economic activities will be stimulated to develop. The increasing demand will be satisfied by the enterprises using new technologies and new approach to the production. It's necessary to lower the expenses and to introduce the system of controlling the production costs, allowing the immediate return control, to increase the marketing expenses.

After overcoming the crisis the market will change. Large-scale enterprises will disappear, they will be replaced by the new and aggressive companies, starving for the development. These new companies will occupy the market niches due to their methods of marketing and to increasing the consumers' number; the new leaders will appear at the new market.

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Scenario development forecast of the region under the conditions of economic instability

The problem of the reliable prognoses of economical development is mainframe for making up any strategic document. No methodology can guarantee clear indexes of the long-rang dynamics. Under such circumstances the proper way out can be creating of the alternative scenarios, characterizing the threshold possibilities of the event development. Such point of view is especially relevant under the circumstances of the economic instability.

Prognosis, economic development, methodology, dynamics, scenario, perspectives, instability.



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The problem of the reliable prognoses of changes both in the external and in the internal environment for any economic system (among them are national, regional, brunch-wise ones, etc.) are mainframe for making up long-range strategies and the programs of their introduction. At the same time it's evident that time parameters, behavior and influence degree cannot be precisely foreseen. For instance, up-to-date market processes taking place in the world economy, were just guessed by some economists a year ago. Anyway, no national, regional or brunch-wise economic concepts didn't foresee such dramatic dynamics. The question is how much all these concepts should be adjusted. This matter was being discussed at the post-production of the Strategy of the social and economic development on the territory of Murmansk Region to the year of 2025, and at the approving it at the Center of Strategic Elaborations "North-West".

The response will depend on the crisis continuance, the following recession and their influence on the world economy. On the one

hand, economic instability is a normal state of the economic processes because the economic situation is constantly changing. On the other hand, we should mention what anomaly can be considered as dangerous and demanding interference.

There are also some contradictions in the economic processes. For instance, one of the important elements of the market economy is available spare human resources. At the same time unemployment is a sign of instability. Or, inflation stimulates demand, but it also carries negative consequences if it passes the possible bounds. To conclude the necessity of the updating the elaborated prognoses, we should mention the methodologies having been produced for the national and regional situation for the recent 5 years.

Despite the rise of the Russian macroeconomic stability, its development's prediction remains the issue of the day. It is being studied by specialists, experts, scientific research institutes and The Ministry of Economic Development of the Russian Federation. But the state values

of short-term trends differ greatly. For instance, in 2007 the growth estimate was at the level of 6,2%, then it was raised to 6,5% and later to 7,3%. The revisions of the previous years were also considerable.

The differences between the medium-term and long-term prognoses are even more considerable. The best known example is the previous version of the Energy Strategy-2015, adopted by the Russian Government in 2003. In that document the rate of the economic growth was at the point of 5%. In reality from 2004 to 2007 the rate of the economic growth was at the point of 7%. Undoubtedly, the economic dynamics for the period to the year of 2020 cannot be predicted precisely. It's clear that the previous version of the Economic Strategy couldn't become the document warning about the forthcoming deficiency in the power systems' sphere and in the field of the electric generation.

The further the prognosis looks to the future, the higher profile the characteristics of the capital reproduction obtain. Yet the material and economic characteristics can demonstrate a wide range of changes over years or even decades, in spite of their stability and invariance.

It's true that the scientific prognosis is not a prediction. The scientific prognosis is a system of interrelated and complementary hypotheses, that's why it cannot give exact information. At the same time, if no knowledge about the future trends is generated within the limits of this system of hypotheses, the value of the prognosis can fall considerably.

Actually the prognosis' rigidity means the degree of its sufficiency. The more sufficient the source data is the more rigid and sufficient the prognosis is. We must admit that the long-term prognoses having been worked out by different administrative bodies are not rigid enough. This could become possible because the long-term prognoses cannot be worked out by a small group of experts in short terms which as a rule are set for such type of work.

Future can be defined as inconstant and alternate phenomenon. Taking into consideration different alternatives and their causes

allows taking appropriate measures. We should note that the information about the perspectives of development gives the opportunity not only to solve the problems of the forthcoming processes, but also to settle the up-to-day matters. The promptly formed idea of the variants of the future can determine the state's strategic alternative.

Studying the future trends and their using for both the long-term strategy and the current economic policy should be supported by the advanced system of economic, social, scientific and technical forecasting. That means that the forecasting cannot be represented by separate and non-related researches of some departments and institutions.

Generally speaking, any elaboration of the future modes involves the consistent realization of the appointed aims for such elaboration. There exists the principle difference between the forecast scenario and the construction of the future modes. The forecast scenario has the list of variants as it is based on some definite scenario. As for the construction of the future modes, it's already fastened to some definite image of the future mode. At the same time while realizing some constructing models of the future mode any amendments are inevitable. The difference is that in case of the forecast scenario the choice hasn't done yet, but in case of the construction of the future modes the direction of the development has already been determined.

The researchers' aim is to substantiate the variants of the future modes, whereas the politicians' and the population's aim is to choose the optimal (desirable) way of development. The aims of a global scale involve the realization of the great number of sub goals and the existing of the system of measures and institutions for its realization.

We believe that one aim (for instance, the duplication of the Gross Domestic Product) isn't enough for the realization of the long-term plan of the development. One hundred aims are not enough either in case if they are just the manifestation of good intentions. It's neces-

sary for these aims to turn into the executive power's obligations supporting the cash flow. The government as well as separate departments should account for carrying out the aims of the national development.

The points of issue are as follows:

- 1) duplication of the road and infrastructure building;
- 2) duplication of the electric power stations' generating facilities;
- 3) carrying out the housing program (producing of about 100 million square meters a year);
- 4) providing the renewal of the fixed capital in branches at the approximate level of 8%;
- 5) the rise of the norm of the fixed capital's accumulation to 30% GDP;
- 6) reduction of the production energy intensity three times more;
- 7) providing the educational level and the apprenticeship in Russia as it is accepted in France and Germany;
- 8) achievement of a level of provisioning urban population by personal computers and access to the Internet, corresponding to a average European level;
- 9) maintenance of the export's rates of growth, outstripping the gross national products' dynamics;
- 10) admission to the world markets not less than ten large companies, belonging to processing industries;
- 11) reduction of the level of differentiation in the population's incomes to the average European level;
- 12) increase in average life expectancy in Russia till 70 years.

Full elimination of the ambiguities concerning the future is objectively impossible. Therefore at any forecasting elaborations the acceptance of the whole system of hypotheses and assumptions is inevitable. It is important, that these hypotheses and assumptions are coordinated among themselves and do not contradict each other. Besides any forecasting always assumes commensurability between the expenses and the results in the forecasting cal-

culations. The coordination of the hypotheses, the commensurability between the expenses and the results, and the formation of the final forecast demand corresponding modeling toolkit.

The defect of the forecast working system is that it is constructed on the basis of the federal government's requirements. The Ministry of Economics of the Russian Federation used to form the system of the regional forecasts' parameters on the basis of the departments' proposals. The needs of the authorities in the subjects of the Russian Federation were not taken into account. As it follows from Russia's regional policy, more and more significant economic and social issues are on the Russian Federation's subjects' responsibility; the working system of forecasting does not cover many vital regional problems and cannot serve as the tool for decision-making on the issue of the regional development. Such matters as the use of natural resources, intraregional differentiation in economic and social status, the financial position of the enterprises belonging to various branches, the intensity of financial resources' outflow, the investment appeal of regions and a number of other questions having basic value are behind the frameworks of the centralized forecast.

The modifications of the regional development's criteria and factors essentially change the estimations of the developed accommodation of productive forces' rationality, and demand new and adequate methods of the directions' substantiation and measures for its carrying out. All this predetermines the expediency of studying the processes of the regional markets' formation, revealing the regional crisis situations in social, economic and ecological spheres, estimating the financial and investment potentials of regions and inter-regional redistribution of the financial resources, studying the features of the economic reforms' course and the analysis of some other problems, directly connected with the modern type of the socio-economic transformations. The scientific aims of studying the regional economy's

condition are set due to both the necessity of the socio-economic forecasting of the country's development and the territorial strategy's formation. The analysis of the regional policy's effectiveness and its substantiation in various spheres of social life is also very important. As we can see, the working methodical approaches both at the national and the regional levels have been rather poorly focused on the opportunities the instability's increase in home markets and furthermore on a global scale. Modeling which doesn't correspond with the input indicators could hardly give any essential results. While preparing the Strategy of the socio-economic development of Murmansk area till 2025 the basic attention was drawn to the scenario approach. The strategy's authors clearly understood, that none of the three developed scenarios will be realized, but they were sure, that possible variant of the real processes' development will lie somewhere between these three directions. Such approach allows carrying out the scenario the most adapted to the external indignations.

In this case the scenario approach is a subject scheme which contains the attempts to guess the most possible variants of a regional socio-economic system's "behavior" taking account the current condition and probable challenges. A scenario method consists in studying the future processes' development with revealing potential opportunities and consequences by a collective of experts. The aim of the scenario approach is a logical representation of the socio-economic development in the hypothetical future. The scenario is created with the purpose of the forecast of the future situation which will allow determining the specific aims and the necessary measures in various variants of the future mode's development. While elaborating a scenario it is possible to show that one typical variant can become a source of occurrence of the whole family of modifications.

The scenario forecast has the following advantages:

- it is the most effective method of traditional vision's slackening;

- it makes experts "to be immersed" into unfamiliar socio-economic situations, instead of considering the variants which represent simple projections of the present;

- an expert has to consider the details and the elements which he could easily miss while studying general tendencies.

It can hardly be said that in March, 2008 while developing the Strategy of the socio-economic in Murmansk area for the period till 2025, the participants clearly saw the forecast situation both in the external and internal environment, including the global depressive phenomena. Nevertheless the certain challenges and factors have been taken into account. The external challenges in socio-economic development of the region are possible to divide into three big groups. The first group is made up of the circumstances, which cannot be influenced by the government bodies and municipal management's authorities, representatives of business and civil society. Here we can mention fluctuations of demand and the prices in the world markets or analogues of the up-to-date financial crisis. The second group is made up of the factors which can be influenced by the region in a minimal degree: it's the redistribution of powers in the governmental sphere and strengthening of centralism, including the sphere of budgetary policy; the international situation, including in struggle for resources of Arctic regions (for instance, delimitation water area borders). The separation of the third group is supported by the idea that all governmental and public institutions should operate integrated for the purpose protecting the interests of the region; it involves the interaction among separate ministries and departments, engaged in the realization of federal target programs and projects; the negotiations with managing companies (holdings) on the issues of the corresponding enterprises' development; frontier cooperation, etc.

The development of the Arctic shelf resources has no alternatives in strategic prospect, and the global financial crisis cannot affect these processes. However in the medium-term

period considering the technological opportunities the input of the new strategic objects, in particular Shtokmanovskoye deposits, most likely, will move not less than for 5 years that is till 2017.

The financial crisis has complicated the opportunity of expensive projects' realization and has lowered the largest raw corporations' capitalization and credit status. However, taking into account the stability of the real economic sector and the reduction of the proved stocks of hydrocarbon raw material in the advanced countries, it is possible to predict, that the need for energy carriers will be restored for the nearest 3 or 4 years. For the home economy the development of the Western Arctic region's shelf is a long-term strategic necessity both from the positions of fastening on the major water areas, and the significant improvement of innovational dynamics, taking into account the climate changes' forecast.

Within the medium-term period even with the active attraction of foreign experience, the oil-and-gas sector won't find fast decisions with comprehensible parameters of profitability in the conditions of the prices reduction and the absence of the ready technological decisions for extraction at presence of the ice cover and in case of occurrence of icebergs, and also of transportation at great distances at negative temperatures of water. As for the time characteristics, the Norwegian operators' work at the shelf shows, that not less than seven years passed from the moment of the initiation of the project before the reception of the first production.

In view of the hydrocarbon stocks' structure of the Western Arctic' shelf and the necessity of the export diversity the North-American market of liquefied natural gas is the most perspective. At the same time, taking into account the steady tendencies of the reduction of power consumption and the prices in advanced countries, it is expedient to apply special economic tools, such as agreements on products share and on special economic zones. Now the European market where it is exported more than 90% of both oil and gas is dominating for the Russian

economy. The started advancement to the Asian-Pacific market from the diversity's position should be added with the export development of the liquefied natural gas to the North-American market from the Arctic pool. These processes are promoted by two circumstances. The first of them is that the natural gas stocks in the USA are practically exhausted, and the nearest strategic partner, Canada, has a high level of the forecast security only in oil. The second circumstance concludes in the necessity of the hi-tech manufactures' development for the domestic companies with the simultaneous increase of export mobility, thus the gas transportations by sea appear comparable in the cost attitude with the pipeline transport.

Just as the European Union, the USA forms its strategic programs on the of power consumption's reduction of gross national product by 2025 not less than to 30%. In America in addition it is planned to provide up to 30% of the general need with technological manure gas. In these conditions the long-term tendency for the prices' reduction for the natural gas and the increase of difficulties with the consortia formation and the credits' reception is rather probable at the development of complex objects of the Arctic shelf. The agreements on the production's share under such circumstances can become the important economic tool of the financial projects' imbuing. However the legislative norm of the domestic companies' attraction by the operators should act.

As for the internal challenges, for the last 10 years the state support of the northern territories is consistently reducing, including Murmansk area, in connection with the termination in 2005 the action of the Law "About the state regulation of the socioeconomic development in Russia". The centralization of the government and budgetary streams is accompanied by the unification of approaches to regions while the specific conditions of managing and ability to live in the North have not disappeared.

After the statement the Government of the Russian Federation (the decision from April, 1, 2005, №176) Rules about the charges on Payment's indemnification the most part of pensioners

cannot take advantage of the right on indemnification so as to travel on rest or to go to the places of the organized rest or to the other places (for example, the residing of their relatives). In the field of labor jural relations' regulation in the Northern territories the distinct tendency to except or to correct some norms concerning northern regions can be observed.

The most indicative example in addition to the aforesaid is the acceptance of the Federal law from August, 22, 2004, №122, by which the guarantee providing the payment of youth (to persons in the age of till 30 years) the percentage extra charge to wages in the full size from the first day of work in regions of the Far North has been liquidated; this extra wage was paid if they have lived in the specified areas and districts not less than five years; the norm established the right of free-of-charge travel by air transport once a year to nonresident students of the internal form of training and post-graduate students of the state, municipal higher educational institutions, trainees in the internal form of the training, constantly living in areas of the North.

On the other hand, the most part of documents is made up not of the laws, but of the statutory acts of the state authorities' agencies. The result of it is the absence of the system and the stability in the legal regulation of many issues on the development of the North. Non-execution or inadequate execution of the accepted statutory acts is widely spread; there is no appropriate control and the responsibility for their realization. The Concept of the state support of economic and social development of areas of the North approved by the Government of the Russian Federation from March, 7, 2000, №198 practically is not carried out. For the recent years the tendency concerning the gradual liquidation of the separate federal laws, regulating problems of the North, and elimination of the other federal laws of concrete norms on this subjects was precisely designated.

As for the third direction, there exist the interactions with corporations, the opposition to challenges and threats is possible, but it

is carried out in conditions of rigid tactical struggle. It should be mentioned, that designed in 2001 – 2002 the circuit of oil transportation to the North-American market through Murmansk port in all directions (the economy, ecology, deliveries, etc.) surpassed the Baltic pipeline system, however a political choice have been made for the benefit of the latter.

While developing the scenario forecasts of realization some separate strategic projects were taken into account. The complex estimation of the external factors influencing the development of the Murmansk Transport unit, allowed counting as the most important of them the following ones:

- the condition of the basic world markets of power resources (European, North-American, Asian-Pacific), consuming altogether 70% of hydrocarbonic raw material;
- the policy of the basic consumers of oil-and-gas resources in the sphere of power-saving, the occurrence of new economic, technical and technological decisions, and alternative kinds of fuel;
- the rates of the railways' modernization determining the receipt of the basic cargoes into the ports of Murmansk area, and the growth of their throughput;
- the measures taken by the Russian Federation in the field of the Baltic Sea ports' development being, owing to the absence of specialization and the cooperation, the natural competitors of the Barentsev and the White seas' ports;
- the tariff policy of the Open Society "Russian railways", including the determined by the dynamics of cargoes on the Transsiberian highway and the October railway;
- the climatic changes and the policy of the Russian Federation on the revival of the home shipbuilding, first of all of an ice class, determining the opportunity of the freight traffics' revival along the Northern sea way.

At the same time we can note the lacks and restrictions in the considered sphere:

- ▶ the absence at the state level of the well defined and proved priorities on the development of the oil-and-gas Provinces (Arctic, West-Siberian, East-Siberian, etc.), and also on the hydro carbonic raw materials' transportation to the basic world markets;

- ▶ an inadequate appeal of the Russian northern ports and the Russian supervising to the navigable companies;

- ▶ the undeveloped sites of the October railway for the sharp increase of the freight traffics caused by the scale development of a shelf and the possible dynamics of general cargoes within the framework of the program of the Murmansk transport unit's development.

While developing the Strategy the three scenarios have been admitted.

Inertial means that in general the structure of the economy and the industry is kept, in branches it is observed a low level of the technological changes. GDP growth rates are lower than in the Russian Federation: 1–2% per year and not more than 50% of the forecast period.

The starting material means that the oil-and-gas sector of the industry and the necessary infrastructure are actively formed, though Murmansk area remains the transit region, the processing capacities are not created. GDP growth rates correspond average rates in the Russian Federation, overall growth in the forecast period will be 2–2,5 times. Growth of GDP is 3–3,5 times and labour productivity is not less than in 3 times, which is higher than average rates.

Innovational means that the oil-and-gas sector forms the processing enterprises and the infrastructure of a high level in the region. In the traditional branches (mining and fishing complexes) the innovational tendencies can be marked.

In the inertial scenario because of the set economic and political factors the development of the unique oil-and-gas deposits of the Arctic shelf is tightened. First of all the instability of the relations concerns to the USA political factors, by virtue of what the North-American market of the liquefied natural gas is not so

attractive for the Russian corporations, and this causes the delay of the Shtokmanovskoye project's realization. The state and "Gazprom" consider the development of the deposits of Yamal and Pur-Tazov gas-condensate provinces to be very important. The gas-pipeline is laid to China (Asian-Pacific market). The North-European gas main at the initial stage is provided with the Yamal gas, the first production from the Shtokmanovskoye deposits will be received in 2020, by 2025 the volume of the gas extraction of will reach 30–40 billion m³ a year.

The mining complex remains conducting in the economic structure, the application of new, more powerful and economic technical equipment allows to keep a level of costs and labor productivity during the deterioration of conditions of the extraction and the quality of raw material. However the input of the new enterprises on the platinoid extraction in the Pansko-Fyodorovsky massif, the development of the Soncheozyosky chromites deposit etc. restrains the deficiency of the power capacities, which will arise outside 2015 after deactivating of one of the Kola nuclear station's blocks. The electric power's deliveries to Karelia are reduced.

In the fish branch the tendencies of the raw production's primary export, the great volumes of ship repair in foreign ports are kept. In general the situation is characterized by the low added cost and a low level of wages.

The transport complex, as well as the infrastructure of the region, develops in moderate rates. The scale export of general cargoes and coal is kept back by the development of competing capacities at the Baltic Sea, the insufficient throughput of the Transsiberian highway and the growing consumption of the Kuzbass coal by thermal stations in the European part of the country according to the Power strategy. The volume of general cargoes won't exceed in 2025 2-3 million tons.

In general the labor productivity in the regional economy will grow to 40–50%, the average level of wages will grow to 60–70% and will reach 1 thousand euro a month. The

quantity of the innovational active enterprises and the volume of the released high technology production practically does not vary.

In the starting material's variant of the development the oil-and-gas sector is formed more rapidly. The first production from the Shtokmanovskoye deposits will be received in 2016, and by 2025 the project will go to the rated capacity in 80–90 billion m³ a year. Gas completely goes to the European market through the North-European gas main and the Norway's pipeline system which by 2020 will have started to feel the shortage of raw material for transportation. The infrastructure providing all sector's activities develops, and all this create 5 thousand workplaces.

The enterprises on oil and gas refining in Murmansk area are not formed, the branch plays the role of the intermediary in the maintenance of extraction and transit of hydro carbonic raw material, therefore the sector does not create the high added cost.

To provide electricity to the development of the shelf, and compensation capacity of the outgoing 2016 – 2017 biennium the first power Kola NPP-2 is introduced, which creates prerequisites for the construction of new plants and development of existing industries mining complex.

In the fishing complex there is a modernization of the processing enterprises and the obtaining fleet. Due to the growth of the purchasing capacity of the population's incomes and the capacities of the home market the significant part of production goes to the ports of Murmansk area and here it is processed for the export sale. The ship-repair enterprises start working; the volume of services for the fishing fleet considerably grows.

The rising dynamics of cargoes of the Murmansk transport unit is marked, first of all due to the bulk cargoes going by rail (up to 10 million tons), and from the coastal and the sea terminals of Nenets autonomous region. In connection with expansion of throughput of the Transsiberian highway the volume the coal transshipment increases in one and a half

time. The general cargoes' growth is connected basically with the development of the shelf and, in a smaller degree, with the export transit and the home cargoes. By 2025 it will reach 6-8 one million tons.

The increase of the total regional product will exceed a double level and will meet average parameters in Russia. About 80% of its gain will be provided due to the increase of the labor productivity. The amount of the active innovational enterprises will grow a little, but will not exceed 20% from the general number.

In the innovational scenario the dynamics of the basic economic parameters in a dominating degree will be determined by the growth of the technical level in the sphere of manufacturing and services, by the occurrence of the new enterprises with high additional cost of production.

Owing to the sharp deficiency of natural gas at the North-American market and to the increase of instability in the zone of Persian Gulf the USA corporations and governmental bodies pay attention to the diversity deliveries of LNG, first of all from Russia. The deposits of the Arctic regions are developed in the accelerated rates, the first gas from the Shtokmanovskoye deposits will be already received in 2015, and the factory on the liquefied natural gas's release will be activated to 2020 (45 million tons LNG a year).

The construction of the largest European factory will form a basis for the creation of the industrial manufacturing zone on improvement and duplicating the new (modernized) technological and technical decisions on Gas liquefaction. The Murmansk area becomes the national center of a corresponding structure. Large-scale LNG transportations will serve as a primary factor of the revival of the freight traffics both in the western, and in the eastern sectors of the Northern sea way.

In 2015 the construction of an oil refining factory of modular type with the capacity of 3 million tons comes to the end, it provides heat power capacities of the peninsula and the ships of the Northern fleet with black oil for reduced

prices. The competitiveness of the enterprises raises the mining complex, and as a result the standards of living of the population.

In general the whole power system of the Murmansk area dynamically develops. In 2016 the first power unit Kola NPP-2 with the capacity 1 million kw, and in 2021 the second one will be started, they won't only supply the oil-gas branch with electricity, but also will create the conditions for the second-order construction of the Kandalaksha Aluminium factory, with the capacity of 200 thousand t in 2022.

The innovational tendencies in the Russian economy cause the sharp increase of the demand for rare metals and their compounds. In the central parts of the peninsula on the basis of Hibiny enterprises and the institutes of the Kola centre of science and higher educational institutions the experimental zone and further the sector of the manufacture of strategic materials for the home industry is formed. On the basis of the new technologies the capacities on processing nepheline are created, completely satisfying the second KAF's turn in alumina with the comprehensible prices. The added cost of the Open Society "Apatite's" production practically is doubled.

In the fishing complex the pisciculture is actively formed. The processing enterprises master the newest technologies of the sea products' complex processing, including the purposes of the pharmaceutical industry.

The transportations of general cargoes through the Murmansk transport unit owing to the accelerated development of the Arctic deposits considerably quicken and increase. Their volume reaches 9–11 million tons a year. The port economic zone providing the increase of technology and the profitability of cargo handling, is the mechanism of the perfection of the economic and innovational level of services on the Northern sea way. The transshipment volume of the bulk cargoes reaches 30 million tons a year, and 45 million tons of oil and mineral oil.

The total regional product's growth will make 3–3,5 time by 2025, its rates will exceed the average parameters in Russia. The labor

productivity will grow in 3 times, the average wages in industrial sector will make 2,5–3 thousand euro a month.

The model of the innovational socially oriented development of the region assumes, alongside with the use of the traditional resource and geographical competitive advantages, the activation of the new factors of the growth adequate to the external and internal challenges in the long-term prospect.

It involves the strengthening of economic system' competitive ability, the increase of the human capital's efficiency, the accelerated development of hi-tech manufactures and the radical increase of the living standard and the creation of comfortable social conditions. The integrated considering of the mentioned factors should provide the exit of Murmansk area to the steady socioeconomic growth with the average rate of 6,5–7% a year.

As it was already mentioned, it was accepted, that the arisen macroeconomic instability will not be long-term. However the corresponding stages have been stipulated.

At the first of them (2009 – 2013) the consequences of the global financial crisis are overcome, the necessary conditions and the mechanism of the innovational acceleration are created, and at the second (2014 – 2025) the technological level of the industrial complex and the infrastructure considerably rises, the progressive growth of the added cost and social orientation of economy is provided. All considered stages differ on conditions, factors and priorities of economic dynamics.

The first stage is based on anti-recessionary measures, and also on the application and strengthening of those competitive advantages in the region's "traditional" spheres, such as mining and fishing complexes, transport, etc. Anti-recessionary measures assume the expenses optimization in all spheres, including the reduction of administrative charges and "freezing" of investment programs, and also a complex of actions on the issue of employment.

The given stage is characterized by the following conditions of development:

↻ falling of demand of key economic branches' production, the reduction of their capitalization and investment activity in 2008 – 2009, an aggravation of a situation at the labor market;

↻ stabilization, and at critical parameters of economy decrease of the budgetary provisioning at regional and municipal levels;

↻ a primary role of the total regional product of traditional kinds of manufacturing with the low added cost;

↻ a high degree of the equipment's deterioration and the basic production assets;

↻ the insufficient investment activity which doesn't allow modernization and diversity of the economy;

↻ imbalance at the labor market expressed in the lack of experts of an average link and workers on the majority of technical specialties.

The basic priorities in the social and economic policy at the given stage are the following.

In the field of anti-recessionary measures:

➔ the optimization of the budgetary charges at the regional and municipal levels with the possible preservation of the socially oriented purposes, strengthening the support in the sphere of employment;

➔ the restraint of negative displays in financial and industrial sectors, the support of the social stability in the organizations, the strengthening of social partnership's mechanisms.

In the field of the competitive economic environment's creation:

▷ drawing up of the catalogue of innovational and investment projects of Murmansk area for the period till 2015 and the technical and economic substantiations' preparations for the most perspective of them;

▷ development of the competitive environment in the spheres of industrial and social infrastructure, trade and services due to the financial and organizational support of small and average business, the exception of excessive administrative pressure, the development of special measures of stimulation in priority directions;

▷ preparation of the rules on participation and interaction of executive authorities in drawing up and realization of the projects which are carried out with the use of means of the regional budget;

▷ formation of the set of the organizational and normative documents providing wider and more effective application in the sphere of support of business regional long-term and departmental target programs, including the restrictions directed on the overcoming on the part of transport and power networks;

▷ increase of reliability of the power supply and reduction of the cost characteristics in the field of power consumption due to the starting of the oil refining factory and using coal in some thermal stations.

In the field of the structural diversity maintenance and innovational development:

- assistance to the innovational development of traditional branches of wildlife management, to the complex processing of raw materials and the increase of ecological compatibility of manufactures;

- expansion of the interaction between the bodies of the regional and municipal governmental formations with the leading home companies realizing large-scale projects, including the use of resources of the Investment fund of the Russian Federation and the mechanism of special economic zones;

- expansion of conditions and stimulus for the innovational and investment activity, including professional training; carrying out organizational actions on the Arctic state research university's establishment;

- formation of the new hi-tech obtaining manufactures, on the basis of the deposits "Oleniy Ruchey", "Southern-Eastern Gremyaha", "Soncheozyorskoye" and "Tundra Fyodorova";

- finishing the preparations for the large-scale development of hydro carbonic resources of the Western Arctic regions, including the creation of the necessary coastal infrastructure and transport systems for the delivery of gas to the internal and external markets.

The second stage (2014 – 2025) will be characterized by the effect from the actions carried out before, on the increase of the investment appeal and strengthening the innovational fac-

tors in the economic development, the formation of the new manufactures on processing hydro carbonic raw material, the growth of the budgetary security and social appeal of region.

The conditions of the socioeconomic development at the given stage are characterized by:

⇒ the growth of internal consumption's capacity in the national economy and its gradual approach to the financial opportunities and qualitative requirements close to the world markets' standards;

⇒ overcoming the restrictions in the regional economy in the field of power and transport networks, the increase of requirements to the ecological parameters of manufacture;

⇒ finishing the modernization and technological updating of manufactures in the sphere of the traditional entrails' using and the development of the new kinds of mineral resources;

⇒ the presence of the created in the previous period institutions and mechanisms, providing interaction between the bodies of state and municipal authority, and the representatives of a civil society during the realization of the projects on the regional socioeconomic development;

⇒ the growth of Murmansk area's investment appeal in the sphere of the development of the Western Arctic regions' shelf.

The basic priorities in the social and economic policy at the second stage are the following.

In the field of the competitive economic environment's creation:

– On the basis of the actions at the first stage provide the resources' high mobility, full

overcoming of the industrial infrastructure's restrictions, including power and transport networks.

– Realization of the coordinated international industrial cooperation in the production's receiving of the high added cost and its movement to the global markets.

– Modernization and expansion of the capacities and throughput of the regional power supply system, providing all the branches of the economy with the electric power.

– Systematical development of the Murmansk transport unit, leading the turnover of goods up to 50 million tons a year (without taking into account road loading complexes).

In the field of providing structural diversity and innovational development:

♦ finishing the formation of a hi-tech complex on extraction and transportation of hydro carbonic raw material from the Shtokmanovskoye deposit to the basic world markets, first of all to the North-American one;

♦ creating the special zones on the technologies of liquefaction and processing of natural gas, the base object be at Yamal deposits;

♦ functioning of the special economic port zones as the links of acquisition and preparation of the equipment on the extraction and transportation of hydro carbonic raw material;

♦ formation in Hibiny the special zones as the sector on complex processing natural resources;

♦ integration of both scientific and educational spheres of the region with the increase of their efficiency in providing innovational processes in Murmansk area, such as preparation and retraining.

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REGIONAL ECONOMY

The issue theme: **TOURISM**

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The phenomenon of tourism

In the article the growing role of tourism in a modern society is characterized, the huge importance of the development of tourism for economic, social and cultural rise of Russia and its regions is marked.

Tourists' product, features of consumption, social and culturological importance.



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The attention to tourism as to a specific kind of social and economic activity has recently grown both in a separately taken country, and all over the world. Among its reasons and pre-conditions it would be desirable to emphasize the main thing: tourism represents one of those kinds of human activity which most of all corresponds to one of main principles of process of globalization namely to free relocation of the big quantity of people. Relocation of people or travel (from French *tourisme*) is a patrimonial attribute of tourism.

It is also necessary to note, that the increasing speed of globalization in the field of the communication means' development, found the scale and intensity in the second half of the XX century. The organizational legal registration of this process took place, as it is known, in 1994 when the World trading organization (WTO) which activity, first of all in the economic sphere, extended its attention to tourism.

Since the times of the disintegration of the Soviet Union during the radical sociopolitical

and economic changes in our country, which were expressed in the total liberalization, the number of relocating people in the world has essentially increased.

Opening of the country's borders, which was one of the positive consequences of the Russian transformations, allowed many people to leave abroad. The purposes of that were different: study, work, trade, family affairs and the eternal desire of knowledge. Unlike the former times the opportunity to leave the country was determined basically by the presence of corresponding financial assets and passports for travel abroad. Russia was not among the countries-founders of WTO (and it is still not a member of this organization now), but the global processes, including ones in the tourist sphere, influenced its policy. In this field in particular and in the economy as a whole, our country at the end of 20th century confidently took its place at the periphery. The tourist potential of our country existing at the Soviet period has been almost completely lost.

The problem of the country's revival, its obtaining the status of the world power, getting back its steady and safe development of potential assumes the so-called "collecting of stones" not only in the sphere of economy. There is a vital question of moral, psychological and physical health of the nation, its consolidation on the basis of the traditional values, scientific studying of the features of the present condition both in the societies in general, and in separate branches of social activity in particular.

Among many branches, important and potentially productive for solving the mentioned above problems, tourism has taken its place. The experts from the Academy of tourism, created in Saint Petersburg in 1994, while analyzing a situation in this branch in the beginning of the 1990s, marked, that "tourism is one of the largest, highly remunerative and most dynamical branches of economic. The sphere of tourism includes about 6% of the world total national product (TNP), 7% of world investments, one of 16 workplaces, 11% of world consumer charges, 5% of all tax receipts". They regretfully admitted that Russia with its enormous tourist potential occupies a rather modest place in the tourist market, having less than 1% in a world tourist stream (The Works of the Academy of Tourism. – Vol. 1. – SPb., 1995).

The economic aspect of this problem of the tourism development in Russia still remains the most important but not the only one. There exists a very complex problem of the scientific studying resulting from the nature of this phenomenon. It appears at the first stage of generating the conceptual device, for example, at the stage of making a definition of tourism. It is known, that the frequent use of any concept can generate the illusion of its adequacy and total recognition. But it is also known, that any logic operations with the uncertain definitions are capable to result in false conclusions and forecasts. The outstanding philosopher and mathematician Rene Descartes stated: "Specify a word meaning, and you will relieve the mankind of half of its errors".

The Explanatory Dictionary of Russian by D.N. Ushakov defines the idea of tourism in the following way: "Tourism is a kind of sports or travel in which entertainments and rest in-

corporate to the general educational purposes". The other definitions of tourism in the Explanatory dictionary of Russian by S.I. Ozhegov and N.J. Shvedova, in the Big Explanatory Dictionary of Russian (1998) and in the New Dictionary of Foreign Words (2003) don't differ much from each other. The definition of UNESCO of 1954 states: "Tourism is the productive leisure influencing the strengthening of health, the physical development of a person, connected with the movement beyond the boundaries of a constant residence". The General Assembly of the World Trade Organization (WTO) has offered another variant: "Tourism is a kind of the productive leisure, representing the travels made with the purpose of getting acquainted with the other areas and the new countries, combined with the elements of sports".

There are a lot of definitions, and only the comparative analysis of their semantic contents allows choosing the most adequate one. Such definition of tourism is represented in the Federal law of the Russian Federation "About the bases of the tourists' activity in the Russian Federation" (October, 4, 1996): "Tourism means temporary departures (travels) of citizens of the Russian Federation, foreign citizens and persons without citizenship from a constant residence to some other places for cognitive, professional and business, sports, religious and other purposes without any paid activity in the country of the temporary stay". This almost initial definition would be completed after inserting a word "time" following the word "voluntary".

As the given definition concerns a separate person or a group of persons realizing their various needs with the help of travel, and as these definitions do not reflect the activity of establishments which make possible the realization of traveler's needs they should be considered revealing only one of the aspects of the phenomenon of tourism. For supporting the full legal correctness the law contains a lot of accompanying definitions, such as *tourist activity, tourism industry, a tourist product, promotion of a tourist product*. Even this brief list confirms the earlier stated thesis about the dual nature of tourism. On the one hand, it is the expense actions corresponding to individual aspirations

and desires of the basic subject of the tourist attitudes as the tourist himself. On the other hand, it is the system-defined economically caused activity of the specialized industrial structures providing the tourist's actions.

Economic, legal and organizational aspects of tourism represent its basis upon which the set of other features which dynamically varies.

There exist two basic points of view on the origin of the considered phenomenon.

According to one of them, tourism originated from the first relocations of people, from travel. From the psychological point of view a determining attribute of tourism was the freedom to choose even if it was a slight choice. From this point of view it is necessary to recognize as tourist trips the ones with the educational purposes, for treatment and rest, for visiting sacred places known since the times of antiquity, and Middle Ages' pilgrimage.

The second point of view is based substantially on the attributes concerning the basic aspects, first of all expressed in legal and economic sense. It concerns the creation of legal conditions and economic preconditions as the guarantees of freedom to move, the occurrence of the advanced types of transport and the advanced transport infrastructure, the industry of services supporting traveling. As well as availability of capital in seeking to address such unprofitable business, as the journey. All conditions created finally the basis of opportunities for people relocation not determined by the aims of simple survival (for example, nomadism). In Europe such conditions fall at the periods after bourgeois revolutions.

Mentioning these two points of view, it is possible to believe that tourism arose in societies of the advanced level of material benefits' security allowing a person to satisfy the needs of higher a order. The need for self-cognition on the basis of comparison with the life conditions of other people, enrichment by the life experience, expansion of the knowledge of the world around became necessary for the realization of a person.

In Russia where for many centuries even the supreme class could not travel without the

permission and the control of the supreme authority, the occurrence of tourism took place later. The freedom to move was received by the representatives of this class only after the acceptance in 1762 by Peter of III the Manifest on nobiliary's liberation, according to which noblemen received *the right* to be free to go abroad, but to the requirement of the government should come back to Russia. Despite of the granted liberties, the free travel in 18th century in Russia didn't have mass character. The wars in Europe, on the Caucasus, in the Crimea, the extremely complex process of the development of the submitted territories, the serfdom in its most severe form, the inertia in the national psychology and many other things slowed down the process of free relocations both in Russia and abroad.

The second quarter of the 19th century was the period of the relative stability in Russia; the time of active relocations of Russians to Europe, to the East, to sacred places, to the south of Russia with its mineral waters and the sphere of services, recreation and health services which are directly related to the satisfaction of travelers' cognitive needs began to expand rapidly. Travels were made for both treatment and rest; they were the way of satisfaction of cognitive and spiritual needs. All that was not tourism in its contemporary understanding, but it contained all the attributes of the future tourist branch. The orientation on the cognitive, intellectual kind of tourism, coupled with the sports and healthcare which was kept in the pre-revolutionary period, actively supported during the Soviet times and is emerging nowadays was laid at that very time. In the beginning of the 20th century the Russian scientist tour-guide *M.I. Greves* wrote: "The ambitions to travel are numerous, the achieved results of travel are great, the achieved pleasures are enormous, and they ascend up to the level of the strongest spiritual pleasures of life".

The modern Russian researchers of tourism, alongside with its high estimation as an economic category, consider it to be an extremely important phenomenon in the field of the national psychology and culture. In the

middle of the 1890s the vice-president of the Academy of tourism D.E.S I.D. Afanasenko wrote, that "tourism is treated as a special type of the interpersonal activity which in the conditions of internationalization turned into the form of free time use, into the means of interpersonal relations during political, economic and cultural contacts, into one of the factors determining the quality of life" (The Works of the Academy of Tourism. – Vol. 1. – SPb., 1995). He also noted that tourism, carrying out the functions on rapprochement of the various public systems, is based on different cultures, differently perceiving the world and the universal values.

All the mentioned above features essentially influence the taking of the tourism as the branch of economy, as one of the spheres of market relations. The production of the given branch can be divided into three basic categories. *The first* is the production made and consumed within the same framework of the branch (services, accompanying goods, souvenirs, etc.). *The second* involves the tourist products which are not the products of the human work (such as mountains, reservoirs, sources, air and so forth). *The third* category is the cultural and historical heritage (architectural and engineering constructions, artificial landscapes, museums, etc.).

If consuming the first category's products is completely adjusted by the laws of the market consumption, consuming tourist products of the second and the third categories demands special public regulation. The fact is consumer resources of the third category are irreplaceable, and the resources of the second category at inadequate consumption are capable to lose their consumer appeal. These circumstances imply both the preservation and maintenance of the inhabitancy and the nature, and the preservation of the historical and culturological heritages.

Solving these problems extends beyond the frameworks of the economic rationalism, and, mentioning tourism as an economic category, at the same time we mention its attributes as

those of a moral category. The careful, sensitive attitude towards the nature, supporting all necessary conditions for the existence of fauna and flora allows a person to feel in harmony with the world around and with himself (herself), to feel measure in the consumption of the natural resources.

Historical and cultural monuments such as temples, palaces and other architectural and engineering constructions, ancient settlements and necropolises, sacred places, etc., represent the most attractive objects for the intellectual type of tourism. And still they cannot be named simply tourist products. These monuments, the opportunity to see them and to comprehend their role in the history and culture of the country give a traveler the feeling of being close to the history of his native land. Without it the understanding of a continuous social spiritual development of all people and "self-standing" of a separate person are impossible. Traveling about the native land enables to feel its unity, colorfulness and harmony. Such emotions strengthen the pride of the country, raise one's self-respect and confidence and allow getting acquainted with other countries and peoples to feel as a full-fledged part of mankind.

The researchers of the problems in the field of modern Russian tourism mark that nowadays in Russia the imbalance between the foreign and inland types of tourism takes place. On the one hand, it is the consequence of rather late opening of our country to the world. On the other hand, the low level of the domestic tourist industry's development especially in the sphere of service, does not allow attracting great number of tourists to the internal routes. Nevertheless we can still hope that all the difficulties are temporary, because Russia is one of the few countries of the world where there are conditions for the development of all existing and just appearing kinds of tourism.

Russia will never become mainly a tourist country, as it is the self-sufficient state; but tourism as a specific and complex in its structure sphere of social activity has remarkable prospects of development.

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The state of the tourism industry during the economic crisis

Since 1998 in Vologda region the unique tourist project «Veliky Ustyug as the native land of the Father Frost», approved by the President and the Government of the Russian Federation, has been realized. In this article the ten years' results of this project's realization, being the important means of education of children and youth, are represented. The necessity of the further development of this project by means of the state support including the creation of transport and social infrastructures, and personnel maintenance is marked.

Vologda region, tourist project, forms of realization, efficiency.



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Nowadays tourism is characterized as one of the most profitable and dynamically developing branches of the world economy. It gives 10% of the world total product, more than 1/3 world trade of services, 7% investments¹. Tourism both directly and indirectly influences economy, social policy, culture, traditions, ways of life, etc.

That's why the General Secretary of the World tourist organization (UNWTO) *F. Franchesko* has emphasized: "The long-term experience which has been accumulated by the tourist branch, shows, that it is steady enough against any shocks. The modern person cannot imagine one's life without travel on business, or for pleasure. As it is impossible to fulfill one's

work successfully without full-fledged rest, due to this reason tourism as a sphere of economy will always remain "afloat" ².

Under the conditions of the financial crisis the economic growth in the sphere of tourism is slowed down. According to the World tourist organizations (WTO), the majority of the regions of the world in the second half of 2008 show the reduction of the international tourism. According to the forecasts, their increase in 2008 will make about 2% that is twice lower than a mid-annual parameter within this branch for the period from 2003 to 2007. The decrease of growth will not take place because of the high parameters in the first half of 2008.

In the medium-term prospect, according to the WTO, some reduction of the activity in the sphere of travel is expected; in the greater degree the business tourism will suffer from the global economic recession.

In Russia the experts predict 20%-reduction of the foreign tourist stream. Tourists won't choose distant destinations, preferring cheaper tourist routes across Russia. The Russian tourists will possibly be oriented to the more accessible «local» tourist products, and this will promote the development of the internal tourism.

Also the experts note that there can be 5-6% reduction of hotels' occupancy, especially high class hotels (4 or 5 stars). Because of the current financial recession many companies minimize their charges, reducing the budgets on business trips and exit corporate actions.

The experts predict a hard situation at the hotel market of Russia in spring 2009, but they consider that the Russian industry of hospitality has big prospects and serious potential for the development. Such forecasts are caused by the hotel deficiency in Russia and the objective necessity to fill this niche both due to increasing the quantity of hotels, and due to improvement of service quality. It is possible to assume, that investors will be interested in construction of inexpensive hotels of a level of 2 or 3 stars and mini-hotels for 30–40 places.

Tourism under the crisis' conditions should be directed first of all towards solving social problems. So as to decrease the crisis' influence is necessary to support spiritual and physical health of people, their ability to keep the historical and cultural heritage, to improve the quality of human life by means of tourism. From the so-called "elite" tourism it should turn into its accessible form.

Nowadays at the time of the crisis' condition of economy and at the moment of social depressions the development of *social tourism is especially actual*. As the President of the Russian Federation *D.A. Medvedev* has noted, the state support of the social tourism for school-children, youth and pensioners is necessary ³.

The special importance the development of tourism gets in view of solving the problem of supporting of the population's employment as the sphere of tourism creates a plenty of workplaces, mainly of a service character. It is necessary to note, that *the support of employment in the sphere of tourism occurs basically due to the creation of additional workplaces, instead of the replacement of the leaving ones*.

In the Strategy of social and economic development of Vologda region special attention is paid to tourism ⁴. It is caused by a number of positions among which it is possible to enumerate the following:

- the efficiency and the appeal of tourism in the aspect of the healthy way of life's distribution that is extremely necessary for preservation and restoration of vital forces of the basic part of economically capable population;
- the urgency of the problem of the research of social tourism means' development supported from the budget;
- considering tourism as a specific branch, allowing to receive steadily high incomes;
- the presence of "compensating effect" in the connection with possible changes in the tourist streams.

Tourism can become a profitable branch of the regional economy under the condition of the correct account of the factors allowing effective using of its potential (*table 1*).

Table 1. Factors of the development in the tourism sphere in Vologda region

The characteristic of the factors positively influencing the development of tourism	The characteristic of the factors constraining the development of tourism
1. Natural and recreational potential and the objects of the cultural and historical heritage	
<p>The regional unique northern landscape, the woods, the lakes and the rivers, having great value for health, adventure and ecological tourism</p> <p>761 immovable historical and cultural monuments</p> <p>The museum of Dionisy's frescos is on the UNESCO List of the world heritage</p> <p>11 settlements of Vologda region are on the List of Historical cities and inhabited places of Russia</p> <p>The territory of traditional crafts, such as «The Northern niello», «Shemogodskaya wood engraving», «The Vologodian lace», «Veliky Ustyug Tracery»</p> <p>Brand «The Vologda Butter», non-polluted food stuffs</p>	<p>Only 30% of the recreational resources are used only</p> <p>Non-official holiday-makers are not the appreciable source of profits to the local budgets</p> <p>The tourist infrastructures are not arranged correspondingly</p>
2. The generated agents of the market	
<p>By the beginning of 2008 120 tourist firms were in Vologda region (60 in Vologda and 50 in Cherepovets)</p>	<p>The existing discrepancy of services cost to their qualitative and quantitative characteristics in comparison with the international standards</p> <p>The exit tourism brings rather the greater income, than the internal one, but this income is used frequently for the needs of the firms</p> <p>Insufficient tax receipts from the tourist activity to the regional budget don't allow to form advanced infrastructure</p>
3. The presence of infrastructure objects	
<p>The hotel complex in the region is represented by 90 collective means of accommodation</p> <p>The system of public catering includes 1143 organizations of public catering</p> <p>In the areas of the region 57 Roadside Service enterprises function</p> <p>There is a developed transport system:</p> <ul style="list-style-type: none"> – railway (Northern Railroad) – automobile (Vologda – New Ladoga, Moscow – Arkhangelsk, Chekshino – Totma – Nikolsk, Totma – Njuksenitsa – Veliky Ustyug, Uren – Sharja – Nikolsk – Kotlas, Vologda – Medvezhyegorsk) – water (Rybinsk and Sheksninskoye water basins, the river Sheksna, the lakes White, Onega, Kubenskoye) – air (the airport in the cities of Cherepovets, Vologda, Veliky Ustyug, Kichmengsky Town and Vytegra) 	<p>There are no hotels of the supreme category</p> <p>The low technical equipment's quality of cultural mass assignment's objects</p> <p>A very small part of the regional highways have the advanced covering</p> <p>High deterioration of vehicles, especially the water ones. The low level of hospitality</p>
4. The experience of programs' and actions' development	
<p>In August, 2008 the Strategy of development in the sphere of Vologda region tourism (till 2020) was authorized</p> <p>In September, 2008 the long-term target program «The Development of internal and foreign tourism in Vologda region 2009 – 2012» was adopted</p>	<p>The absence of the methodology of estimation of tourism's importance in the regional economy</p> <p>There is no monitoring of the tourism branch condition in the Vologda territories</p>
5. Informational basis	
<p>In 2007 the tourist information centre «The Regional center of marketing and promotion of tourist programs in Vologda region» was created</p> <p>The presence of the uniform recognized style of the information material</p>	<p>At the regional level the statutory acts on the organization and stimulation of the tourist branch are not accepted</p>
6. The developing system of preparation and retraining of personnel for the sphere of tourism	
<p>Since 2002 in the system of the higher vocational training the professional training for the tourist industry is realized at the Vologda state technical university (speciality «Social and Cultural service and tourism», specialization «Sociocultural service»)</p> <p>In the sphere of average vocational training system the preparations of experts for the sphere of tourism is formed on the basis of educational programs for such kinds of activity, as hotel service, public catering, tourism</p>	<p>The system is focused on preparation of managers of average and top echelons, and in a lesser degree on preparation of experts in the sphere of hospitality technologies</p>

According to the "Vologdastat's" data, nowadays approximately 2% of the regional population are engaged in the tourist sphere. The tourist activity brings the real income both to the subjects of the tourist industry and to the state. The contribution of tourism to the economy of Vologda region made **5,96 billion rubles in 2007⁵ or 3,3% of GRD.**

By the beginning of 2008 in Vologda region about 120 tourist firms, which are mostly concentrated in Vologda and Cherepovets, had operated⁶. The mentioned firms in the greater degree carry out the activity on the organization of outer tourism that basically is determined by the level of solvent demand of local population.

In the sphere of small business the high share of the enterprises offering tourist services, indirectly testifies that the tourist activity brings the real income to the subjects of the tourist industry and provides their ability to exist.

Besides the tour agencies are the source of profits to the state and local budgets. In 2006 the tax payments of the organizations with the basic kind of activity "The Organization of Rest and Entertainments, Cultures and Sports" have made 199,6 million rubles; and 319 million rubles in 2007⁷.

Under the economic crisis' influence the regional tourist organizations faced the following difficulties:

1. The reduction of the sales for the foreign directions, especially for the distant expensive travels.

2. The tourists' refusal of the reserved tours because of toughening the policy of consumer credits' distribution and because of the decrease of the population solvency and its uncertainty in the future.

3. The penal sanctions for the refusal of the reserved tours at the foreign tours' operators.

4. The minimization of charges, such as the reduction of the personnel at the tourist organizations or closing of their additional offices.

For solving all the mentioned problems in the sphere of the regional tourism the plan on the Anti-recessionary actions for 2009 was developed (*table 2*).

Since December, 1998, under the initiative of the Moscow Government and the Vologda Region administration the project "Veliky Ustyug as the native land of Father Frost" has been realized. For the recent 10 years the project has got the all-Russian, national features, has become the important element in the moral education of youth, has turned into an appreciable component of economy, operating as the factor influencing the growth of the population employment, and also as a stimulator for manufacturing goods and services, for the development of the regional infrastructure and communications.

The project is directed to solving the problems of moral education of children and youth, to introduction and realization of values of healthy life, to the strengthening of the idea of family. There were traditional programs, festivals, sports competitions under Father Frost's aegis. The main idea of all creative actions held within the framework of the project, is given in the motto, written on the arms of Father Frost: "Make Good Affairs".

Father Frost took an active part in the actions organized within the frameworks of the following projects: "The Child's Year" (2007), "The Family Year" (2008), "Youth's Year" (2009.)

"Father Frost is our national brand. That is great, that we began to advance this symbol, and to advance it in different directions. He is a kind, good theme uniting people", – the president of the Russian Federation *D.A. Medvedev* noted during his visit to Murmansk, held on January, 11, 2008.

The uniting value of the given project was also emphasized by the Governor of Vologda region *V.E. Pozgalev*: "We understand, that he unites people of different political views, concessions, beliefs, property status, because Father Frost is for everybody, both for rich, and for poor. Perhaps, it is the most native of all national projects because it really covers all sides of life, all layers of the population, it is the project which forms kindness; and, to our plan, the 21st century's people with kind hearts should help shape Russia"⁸.

Table 2. Anti-recessionary actions in the tourism sphere in Vologda region for 2009

ACTIONS
Preparation of offers on modifications and additions in the Federal law from 05.02.2007 №12 FL "About the modifications in the Federal Law "About the bases of tourist activity in the Russian Federation": <ul style="list-style-type: none"> – application of financial guarantees in view of differentiation of tour operators proportionally to the tour operators responsibility's real volume towards their clients – the establishment of the minimal sum of financial guarantees for tour operators – differentiation of powers in the tourism sphere between the Russian Federation, and its subjects – registering of guides and other subjects of the tourist industry in the subjects of the Russian Federation – the reduction of contracts between tour operators, agents and clients to conformity following the norms of the law "About the consumers' rights protection"
Creation of the tourist organizations' association in Vologda region (in view of interaction of all executive government's bodies and tourist business under the decision of problems in the sphere of tourism)
Realization of the actions on the project "Veliky Ustyug as the native land of Father Frost" <ul style="list-style-type: none"> ➤ development of the concept "Veliky Ustyug as children's capital of Russia" ➤ creation of the management mechanisms for the national brand "Veliky Ustyug as the native land of Father Frost" ➤ promotion of the project "Veliky Ustyug as the native land of Father Frost" as the whole-year tourist product
Development and realization of the actions on the program of personnel potential's development in the sphere of tourism and in the industry of hospitality
Development of the actions on stimulation and support of the tourism sphere and of the hospitality industry
Creation of the coordination council on tourism in Vologda region under supervising of the first assistant to the Governor (in view of coordination of interaction between the bodies of the executive government, the institutions of the local government and the subjects of the tourist industry on the issues of tourism development and its sub-branches)
Investments' attraction to the sphere of tourism: Development of the tourism objects accommodation infrastructure's circuit in Vologda region till 2012 and with its prospect till 2020, including the project "Veliky Ustyug as the native land of Father Frost": <ul style="list-style-type: none"> • the arrangement of the accommodation means • the informational arrangement of roads (the accommodation of informational posters and designs in basic tourist directions) • the development of the roadside services
Development of the intermunicipal investment project «Tourists' destination "Beloye Ozero" and its including into the regional investment program for 2010

According to the words of the first deputy head of fraction «Unified Russia» *V.V. Ryazan*, "Father Frost from Veliky Ustyug is attracts tourists, so, he can help to create the additional income and new workplaces. And all this will help to overcome the crisis"⁹. The given project is also attractive for the individual business. For the period 1998 – 2007 more than 1 billion rubles were enclosed into the project, from them 30% were made by means of investors¹⁰. The further cooperation of the state and business policy will allow to transform Veliky Ustyug into a perspective "point of growth", and to prove its social, commercial importance and its budgetary efficiency.

In spite of the fact that the global financial crisis influences the tourist sphere, the tourists' stream to Father Frosts' home won't reduce (to the opposite, in 2008 the number of visitors

grew to 15%). People will not refuse to travel, but they will cut down the expenses for the trips. It will be reflected in short-term tours' prevalence.

While organizing the tourist industry in Veliky Ustyug it is necessary to pay special attention to **one-day rounds for the economic class**.

Under the conditions of the financial crisis, the reduction of budgetary support and social instability it is important to keep **a social orientation of the project**. First of all it concerns the support of the project "Father Frost's Mail"; the organization of specialized tourist tours to the Homeland of Father Frost; promotion of the national brand "Father Frost".

A positive role in the decision of problems concerning the issues of strengthening the vital institutes of childhood and family, moral

education of the young citizens of the country as the base of steady and safe development of Russia is played by the project "Veliky Ustyug as children's capital of Russia".

Nowadays the Committee on tourism in Vologda region develops the project of **the infrastructure objects' accommodation circuit on the territory of the region**. The given circuit assumes that:

- the realization of investment projects will make 10,9 billion rubles for 2009 – 2015;
- the share of the capital investments in the sphere of tourism will make 4 or 5% into the regional economy;
- 6 000 – 7 000 additional workplaces will be created;
- the gain of tax receipts will make 240 million rubles.

Notes

1. Gulyayev, V.G. Tourism: economy, management, steady development: the textbook / V.G. Gulyayev; The Russian International Academy of Tourism. – M.: The Soviet Sports, 2008. – 280 p.
2. The Site of the World Tourist Organization [Electronic resource]. – Access mode: <http://www.unwto.org>.
3. The President of the Russian Federation's List of Assignments on the results of the session with the heads of the cities making up "The Golden Ring", 01.08.2008 at Uglich (Pr-1630 from 11.08.2008).
4. The List of the basic statements from the Concept of the socio-economic development's strategy in Vologda Region for the long-term prospect (the decision of the Regional Government №380 from 16.04.2004).
5. The Data of TO FSGS in Vologda region.
6. The Data of the Committee on tourism in Vologda region.
7. The Data of the Federal Tax Service's Department in Vologda region.
8. The Governor of the Vologda region V.E. Pozgalev's report at the round table "Veliky Ustyug as the native land of Father Frost. A fairy tale and reality", having taken place in the State Duma of the Russian Federation 3/12, 2008 (the session of the group of deputies-members from the party "Unified Russia").
9. The report of the first deputy head's assistant from the party "Unified Russia" V.V. Ryazan at the round table having taken place in the State Duma of the Russian Federation 3/12, 2008 (the session of the group of deputies-members from the party "Unified Russia").
10. The Data of the Committee on tourism in Vologda region.

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The tourism industry: administrative levels and methods of forming

The article describes how to assess the potential and the formation of cultural and recreational area at the country, region, and municipality level. The position of the international approach to evaluating the competitiveness of the tourism sector and travelling are revealed and the trends of its development in Russia identified. On submission of the Komi Republic, the resources are described and the goals of regional tourism forming are set, and also the analysis and design of prerequisites for the development of municipal districts cultural and recreational complex experience is presented.

Tourism competitiveness index, tourism development management, tourist and recreational zoning, cultural and recreational complex.



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The development of the tourism sector and in the broad sense of «experiences economy» (as the type of economic activity bringing together tourism, travel, cultural and recreational area is increasingly refer to) is based on the transformation of cultural and natural resources as a source of surplus value – a sustainable global trend, increasing in postindustrial society. As the most dynamic sectors of world economy, tourism has become an attractive field of activity in Russia, its regions and municipalities.

In this regard, the analysis of the key positions of assessing the situation of the Russian Federation in the global tourism industry, as well as internal development and problems of its formation is an important scientific and methodological and management challenge. Without claiming to complete the solution, let us have a look at some features of "experiences economy" in the country, regional and municipal levels, drawing on the expertise of colleagues, and the results of their research on the Komi Republic.

Country level – global approach

World Travel and Tourism Council estimates that the combined direct and indirect activities in the sector of T&T (Travel & Tourism) accounts for 10,4% of global GDP, 12,2% of world exports and 9,5% of investments [13]. It was estimated in 2006 it employed 8,2% of all employees.

With a strong global role of tourism its importance in many countries is not surprising. Growing "experiences economy" is an important factor (driver) of growth and welfare: it influences employment, increases the national product, improves the balance of payments. According to the authors of the World Forum on the competitiveness of T&T sector report, it is particularly singled out in developing countries, as helping to diversify the economy, providing opportunities for generating income and jobs in rural areas.

Having multiplicative effect tourism industry improves citizens' life quality and the general economic outlook. In seeking to create an environment for tourism, the Government improves the infrastructure; in addition, "experiences economy" positively affects the growth of the cultural outlook and environmental sustainability, fixing local residents' attention on the values of the environment, encouraging businesses to environmental improvements, and tourists – to the conservation of nature.

Recognizing the universal importance of these potential benefits of cultivating a strong domestic sector, T&T, the World Economic Forum began to count and analyze a special code (the Travel & Tourism Competitiveness Index, TTCI) to understand the sector's competitiveness factors and the challenges facing them

better. In 2007, it was done for 124 countries, and in 2008 for 130. Analysis of competitiveness in 2007 was made in the context of economic development promoting, in 2008 in the context of economic development and environmental sustainability balance.

TTCI indicator measures the factors and features of attractiveness (favor) for T&T sector development in different countries. The index is based on three broad groups of parameters that contribute to competitiveness and provide it. The groups bring together more than 70 indicators and are «phased out» in three subindexes: management base, environment business and infrastructure. The first subindex covers those items that relate to the policies and scope of government, the second involves the elements of the business environment and industrial infrastructure, the third includes the human, cultural and natural components of the resource wealth of the country (*table 1*).

The full contents of the parameters and indicators are given in the text of the report [13, Ch. 1, p. 5-6, Appendix A], here is only a brief commentary on some of them.

Among the *political regulators* not only the extent to which foreign ownership and foreign direct investment are supported by country is important, and how property rights are protected, but also environmental sustainability, so in addition to political figures, this unit includes the carbon emission and the percentage of hazardous in the country.

Safety and security is a critical factor of tourism competitiveness; the overall level of crime, violence and terrorism, road accidents, as well as the degree of trust law enforcement agencies to ensure protection is taken into account.

Table 1. The tourism sector competitiveness index composition

T&T sector competitiveness index		
Regulatory framework subindex	Environment business and infrastructure subindex	Human, cultural and natural resources subindex
Political regulations and regulators	Air Transport Infrastructure	Human capital
Environment sustainability	Land Transport Infrastructure	Tourism susceptibility
Safety and security	Tourist infrastructure	Natural resources
Health and hygiene	Information and communication technology	Cultural resources
Tourism Priority	Price competitiveness in T&T industry	

Care of tourism is reflected in budgetary *priorities*, which the Government could provide funding for major development projects, the designation of their intentions, which may have effects in terms of attracting private investment, participation in international tourism fairs and high-quality marketing destinations (places for tourism).

The characteristics of *tourism infrastructure* includes not only housing (number of hotel rooms), but also large car rental companies, and financial infrastructure for tourists (ATM, etc.).

Price competitiveness means the availability of prices for goods and services, airfares, fuel, accommodation, as well as the moderate taxes, which may be imposed upon travelers.

The *human resources* guarantee access to resources necessary for the branch growth and development. These take into account the health and education and training, the quality of which depends not only on the educational system, but also the involvement of the private sector to improve the training of specialized personnel and services.

Susceptibility of tourism is measured by the degree of openness of the society for tourism and foreign visitors, not only people but also the business leaders who consider tourism to important business contacts. The measure of tourism openness is the costs and revenues in a proportion of GDP, which gives a sense of the tourism importance concerning the size of the country.

Natural resources that provide competitive advantages the country include the location of World Heritage Site, the number of animals' species, characterizing fauna resources, the proportion of protected areas.

Accommodation of *cultural resources* in each country is the most important factor in tourism competitiveness worldwide. This block includes places of world cultural heritage (UNESCO list), sports stadiums, international exhibitions and fairs.

According to the second annual Report, in 2008, Switzerland, Austria and Germany have the most attractive environment for tourism and travel. The following top ten places are oc-

cupied by Australia, Spain, United Kingdom, United States, Sweden, Canada and France.

Russia took 64th place out of 130 (in 2007 it scored 68th out of 124). Our neighbors from above are Dominican Republic and China, from below are India and Egypt.

Russia has a relatively high marks for natural (22nd place) and cultural (34th place) resources, due to the presence of the World Cultural Heritage sites, as well as a well-developed air transport infrastructure (33rd place). However, land transport and tourism infrastructure are of low opinion (83rd and 66th places respectively) particularly because of the small number of available hotel rooms. Weak security and protection positions deserve serious attention (127th place) in connection with a high level of crime and violence, lack of confidence in the law enforcement agencies to ensure protection as well as the high level of road accidents. Russia is assessed as a country having a very bad environment, both business environment (very high restrictions on foreign ownership, not very good protection of property rights and visa requirements for visitors from many countries – 110th place), and nature environment (117th place). In general, the tourism sector in the country does not look like a public priority (in this position it is in the 125th rate line).

You can treat the data critically, but no doubt that they adequately take into account the factors of formation and development of "experiences economy" as an important sector of economic activity, reflect the international approach to assessing and allow to fix problem positions and direction of managerial influence in this area.

Trends in tourism development in Russia

The economic importance of tourism in the Russian Federation is growing in recent year, but its contribution to national income remains modest and has on various estimates from 5 to more realistic 2,5–3% of GDP [8]. According to statistics in the structure of paid services to population in 2007 cultural and recreation services accounted for just 6,1%, including 1,5 – tourism; 1,6 – health-improving; 0,7 – Sport and Physical Education, 2,3% – culture.

On the basis of experts' opinions several trends can be divided in the modern development of local tourism.

The formation of the tourism framework is starting. Identification and design of territorial frame is a sign of spatial development. Such regions as Lake Baikal, the Urals, and Altai are beginning to position themselves at the tourist market. The priority state support in the establishment of 7 tourist and recreational areas and the construction of the Olympic Games in Sochi contributes to the growth of tourism.

Strategic design of cultural and recreational specialization of macroregional economy is outlined in the directions of their development, presented in the draft Concept of long-term socio-economic development of the Russian Federation until 2020, which indicated the following:

- the preservation and incorporation of cultural heritage in the technologies of the Central region cultural tourism;
- the development of historical and cultural cluster, ecological tourism and seaside recreation of the Northwest;
- enhancing the cultural, ecological and sports tourism, with state support of historic and cultural centers in the North;
- promotion of health-improving, ski and seaside resorts brands (including the Black Sea coast resorts, the Caucasian Mineral Waters), followed by the proliferation of state infrastructure investments in the new spa centers (Dagestan, Taman, and others);
- development of a suburban type of recreation and water tourism on the Volga River and its tributaries;
- development of marine recreation, ecological and adventure tourism based on the unique natural landscape of Kamchatka, Primorye, the Kuriles.

According to the Concept the intensification of resource use must be accompanied by the development of transport and tourism infrastructure.

Globalization of the Russian tourist market. It manifests itself in the implementation of net-

work formats in the hotel and shopping services to the inclusion in the global network and the formation of local networks, which increases the standards and quality of services. There is the consolidation and integration of business through specialized services to the association of tour operators, hotel owners and others. As shown by international experience the integration of services and the emergence of "tourist factories full cycle", uniting air carriers, hotel chains tour operators and tourists service under one company is promising [4].

Inter-regional integration. Inter-regional approach to creating a tourist product is a new tool for Russia.

Its use is in line with global trends cross-country integration for mutual growth in the competitiveness of uniting nations. Thus, within the regional organization, ASEAN general qualification requirements for staff in the tourism industry are developed, common standards for hotels, nutrition, and eco-tourism are establishing. Southeast Asia countries are planning to introduce a single tourist visa to any country in ASEAN to establish uniform tourism prices for all states, as well as to promote South-East Asia as a tourist area, offering a combined tour, such as route Thailand – Laos at international tourism exhibitions [6]. There are similar thematic lines – wine, festival – in Europe.

Increased competition of international tourist destinations and the growth of tourist flows advanced the North-West regions to unite under the concept "Windows on Russia". It is supposed to create a common marketing center, the development of new products – "Russian Winter" and "Russian soul Riddles" is planned in addition to the tourist product «Silver Ring» [7]. An interesting cross-regional and inter-country project is "The Way of the Varangians to the Greeks". Waterway will connect the areas of the Novgorod and Leningrad regions and Scandinavia. Creation of inter-regional tourist product saves on marketing and advertising. Along with this the tourists' money is distributed across all regions.

Regions' cultural and recreational strengthening. Attention to the "experiences economy" as an advance and priority economy was, except the disclosed above macroeconomic advantages, due to deteriorating socio-economic situation of Russian regions during the period of market reforms.

Activating the new economy resource is almost universally accompanied by the development of regional tourism development with planning the growth of its contribution to GDP, as well as the methodical study of the assessment [4, 5, 2]. The share of tourism in GDP, taking into account the "promoted" sector varies significantly: from 13,7% in the Krasnodar region to 6,5% in Karelia, 3,6% in the Novgorod region, 0,6% in Buryatia.

Local experts mark out the following key factors among those determining the competitiveness of regions in the world and the Russian tourist market, taking into account the position of the annual Report of the World Economic Forum:

- the availability of the territory, taking into account the infrastructure price diversity, the possibility of booking hotels, tickets to events and travel on-line, cost and speed of communication;
- the territory's uniqueness in terms of "experiences economy", which requires cultural specialization work and branding of tourism resources, rich and diverse event series forming in the region;
- territories, claiming to welcome foreign tourists should provide safety and comfort of rest without a guide or accompanying which means loyalty to visitors, provide information about tourism objects in foreign languages, accommodation and meals;
- ecological compatibility, protecting the natural and historic environment.

These core values, along with the formation of regional clusters (tourist-food chains), the integrated development of the territory by institutional investor, marketing strategy and integration into larger scale tourist products (networks) reflect the development of new technology development of the Russian tourism [10].

"Experiences economy" design in a given region requires methodological expertise. The Center for Strategic Research "North-West's" experience, which fulfilled tourism projects in the preparation of strategies for the Russian Federation regions, developed the concept of tourism development in Novgorod, Astrakhan Region and the Krasnoyarsk Region, focuses on the following key steps in the development of the region's tourism industry [11].

The first is tourist potential analysis (composition, scale, significance, quality of resources, existing and potential degree of commercialization).

The second is tourism market analysis, which will give an understanding of what place on the map the territory considered as a tourist destination takes and what niche it can occupy in the future.

The third is the choice of priority tourism destinations based on the ease of the resource position commercialization.

The fourth is the development of mechanisms for tourism development, using the principles of:

- integrated development of the territory for the creation of new tourism infrastructure in the region;
- the cluster approach to the organization through communication between all parties to the tourist business, and supporting industries to ensure maximum multiplier effect of activities;
- cultural policy of human development as a resource of hospitality, while preserving the cultural identity of the population, which is also a tourist resource of the territory.

Tourism in the Komi Republic: Opportunities and Challenges

Depending on the degree of tourist development Komi Republic is an ill-developed closed tourist region. Paid services in 2007 included cultural and recreational services 3,8%, including 1,5 – tourism; 0,9 – health-improving; 0,7 – Sport and Physical Education; 0,7% – the culture of [12].

Natural and cultural resources. In the republic there are 253 protected areas (PAs), including Pechoro-Ilychsky State Biosphere

Reserve and National Park "Yugyd-Va" (World Natural Heritage Site), 173 state nature reserves and 78 natural monuments. The total area of the protected areas covers more than 6 million hectares, representing approximately 14,6% of the Republic territory and higher than average.

The most promising for the development of tourism are the mountainous regions of the republic: Circumpolar, Polar and Northern Urals. Alpine forms of relief are attractive for the construction of ski trails, ecological trails, the construction of recreational and ski facilities.

In Pechoro-Ilychskiy Reserve the world's first experimental moose farm operates, the Museum of Nature is created, ecological trails are laid, and environmental camps are organized. The main value of the national park "Yugyd-Va" is primeval landscape. Hiking and water trails are popular here. Currently, the park is visited by 4–5 thousand people a year.

Historical and cultural potential is presented by various types of historical monuments, memorial sites, museums, buildings and structures associated with historical events. In the Komi Republic there are 820 cultural heritage sites in the official account including: archeology – 508, architecture – 170, history – 118, monumental art – 24. The museum network brings together 119 museums of different professional focus. Among them there are art, literature, local history, folklore, scientific, institutional and memorial museums. Promising tourism resources are archeological finds, objects of religious architecture, the Gulag era legacy.

Recreation and tourism facilities

In 2007, 57 tourist firms acted in the republic, which handled 26,6 thousand visiting tourists. The total number of tourists was 27,4 people to 1000 of the population. According to expert estimates, the number of tourists arriving amateur is increasing: for instance, only on the territory of the urban district "Inta" about 3–3,5 thousand tourists arrive every year.

In the hotel industry there are 64 hotels and similar collective means of accommodation with a capacity of about 6 thousand people. In general, hotels loss, utilization of available seats is 0,3 (effective rate is considered to be not

less than 0,65). Within the rooms of hotels and similar accommodation rooms 70% of them have a category.

There are 20 resorts organizations and recreations with 1 782 seats. The number of citizens who were placed through the collective means of accommodation in 2006 amounted to 176,3 thousand people, 16,8 thousand of which had vouchers.

Tourist-recreational zoning

Given the historic, cultural and landscape diversity in the territory of the Komi Republic, its settlement and industrial development, preservation of identity three tourist and recreational areas are marked out (*fig. 1*):

⇒ Timan-Urals region in primeval habitats and landscapes, and retained the capacity of northern extreme rest;

⇒ Mezensk-Pechora region, where the powerful natural-recreational potential makes ethnic components of tourist resources more pronounced;

⇒ the Vychegda region is more economically developed, with different types of settlement, environmental, historical and cultural resources diversity.

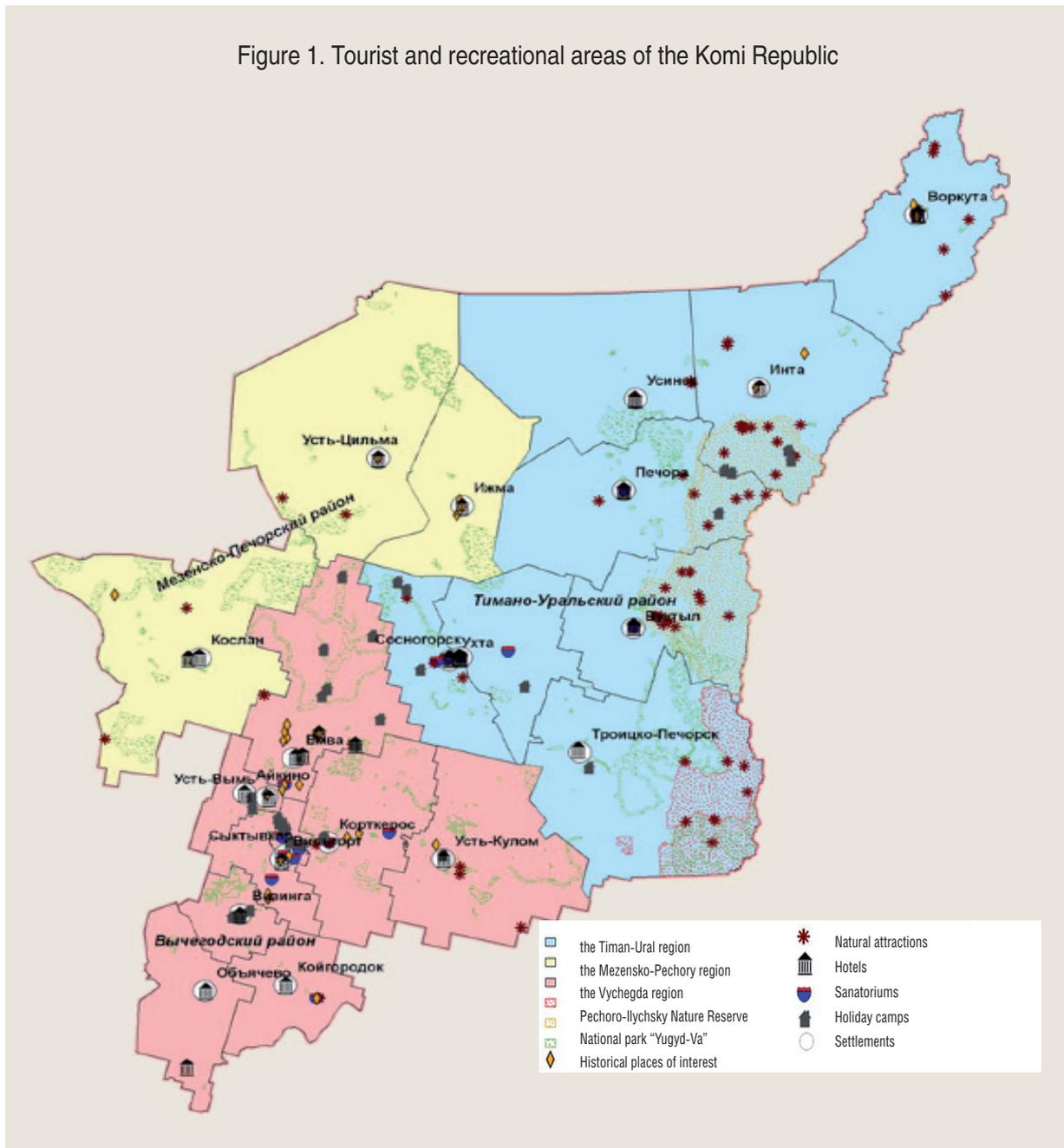
A generalized characteristic of the areas is presented in *table 2*.

The development of tourist and recreational areas is causing the formation of tourist centers and specialized areas. Recreation centers can appear in urban districts "Syktyvkar", "Ukhta", "Inta", "Vorkuta", in the municipal areas "Pechora", "Vuktyl", "Troitsko-Pechory". This will be facilitated by the developed infrastructure, existing facilities tourist industry, culture, sports, historical monuments, as well as organizations involved in tourism activities.

Activities forming the tourism sector of the Republic

In 2008, "The concept of tourism development in the Komi Republic in the period up to 2020" was adopted; it identifies promising types of inbound and outbound tourism, the potential tourism centers. Important areas of project activities to develop the regional economy tourism sector are:

Figure 1. Tourist and recreational areas of the Komi Republic



- development and maintenance of modern information base (assessment of cultural and recreational potential, the result of which will be an electronic inventory of tourism resources and products; maintaining a roster of network objects – collective accommodation facilities with their condition and density assessment; development of the catalog and illustrated atlas describing the tourist routes to products, areas and types of tourism);

– the formation of tourist-recreational carcass from the various sites of tourist-recreation areas and centers, ethno-cultural centers, ethnic villages, multifunctional complexes, tourist bases, etc.;

– development and implementation of marketing strategy to promote regional tourism products;

– creation of infrastructure related to the field of tourism;

Table 2. Potential tourist and recreational areas of the Komi Republic

The main points of tourist facilities and attractiveness	The main types of tourist and recreational activity
<i>Timan-Ural tourist and recreational area</i>	
<p>Vorkuta: Memorial Cemetery of Terror Victims (Jur-Shor), a memorial sign «Victims of Political Repression of 1930s – 1950s» Rocky limestone canyon (Niyayu river), Payer Mountain (1472 m) Inta: «the main gate of Polar Ural», Narodnaya Mountain Pechora, Inta: unique landscapes of the National Park «Yugyd-Wa»</p>	The memorial, cultural, educational, mountain, water, eco-tourism Weekend leisure, children's recreation, sanatorium treatment
<p>Ukhta: architectural ensembles Timan routes for recreational tourism in the wake of the geological and topographical parties. The unique natural and historical landscapes Sosnogorsk: Memorial to victims of political repression, local museums and the sights associated with the industrial development of the region «Cossack circle», Festival of Slavic culture, Orthodox music, rock music</p>	
<p>Vuktyl: Pechoro-Ilychsky State Biosphere Reserve as the object of World Cultural and Natural Heritage («Virgin Komi Forests») Troitsko-Pechorsk: «Seven dimwits» on the ridge Manpupuner, mountain range «Torreporreiz», or «Ruins of nonexistent city». Unique moose farm, museums, tours</p>	
<i>Mezensko-Pechory tourist and recreational area</i>	
<p>Izhma: linguistic and cultural specificity of the Izhma Komi household, Herdsmen traditions, folk crafts (products of reindeer fur). Holidays of the Komi-Izhma people – «Lud», hunters day, herdsmen day</p>	Cultural-cognitive, pilgrimage, eco and sports tourism
<p>Ust-Tzilma: distinct region with traditional rites and songs. Holiday «Krasnaya Gorka», symbolizing the labor peak of a year, time for adolescents to become youth Product crafts: carving wooden utensils, Pizhma spoon, amulet and wedding belts, mittens and socks with ornament</p>	Cultural-cognitive, pilgrimage, eco and sports tourism
<p>Udora: the Udors is an ethnic group of Komi-zyryan having their own dialect Komi language and traditions. Distinctive folklore and folk crafts. Ethnic Village Patrakovo, old villages with churches Vazhgort, Koslan, a place of pilgrimage – Ioanikeeva cell, Ship thicket – a monument described by M. Prishvin, river Yirva</p>	The pilgrimage, eco-tourism, ethnotourism, cultural tourism
<i>Vychegda tourist and recreational area</i>	
<p>Syktvykar: Komi Republic capital, cultural and scientific center. The monumental attractions. Europe's largest timber complex. Stephen of Perm's Cathedral Ust-Kulomsky region: current Stefan-Ulian Trinity Monastery (Ulyanov village) The Syktyvdinsk region: Yb settlement – a perspective tourist ethnographic complex The Koygorod region: memorable places associated with the displaced The Sysolsk region: in Kuratovo settlement – a traditional folk ritual feast «Gazha-valay» and the feast devoted to the Komi poet Ivan Kuratovu. In Pyeldino settlement – Ethnic Center «Spring», the school museum The Priluzsk region: Church of the Blessed Virgin Mary Assumption built in 1882 – 1884 that is a monument of religious architecture. The annual festival of folk bands «Luza dorsa gazh» (Obyachevo settlement)</p>	Business, cultural, educational, pilgrimage, eco, sports tourism
<p>Ust-Vym: stone churches of Stephen of Perm (1755 – 1767) Archangel Michael (1795 – 1806), a complex of Zemstvo Hospital buildings (1903 – 1911), historical-ethnographic museum, housing of the end of XIX – beg. XX century. Seregovo: salt fish and resort</p>	
	Weekend Leisure, children's recreation, sanatorium treatment

– creating a favorable business environment development of tourist and recreational activities;

– investment projects support in tourism.

Cultural and recreational complex of municipal entities: the prerequisites of forming and direction of development

Integrated approach to the problems and prospects of development of tourist-recrea-

tional sphere is realized in the evaluation of the capacity development of municipalities of the Komi Republic [3]. The study of the municipal district (MD) cultural and recreational complex (CRC) includes an analysis of the prerequisites, the rationale for and mechanisms of its formation. Such a scheme, approved in many regions, seems to be the most produc-

tive and can be used in the organization of the local authorities for development strategy of the activity [2].

Geological location has a direct impact on market size of cultural and recreational services provided. In ensuring the availability and quality of services an important role is played by the density of road networks, availability of bus service.

Landscape diversity, specialties of the relief and rivers with picturesque places, the assessment of mushrooms and berries stocks are the key positions of the attractiveness of *natural and recreational resources*.

Cultural and recreational wealth of the area is *historical heritage*, represented by both tangible and intangible elements. Traditionally, it includes places of worship, not only churches and chapels, but also special, holy place for the people. Historical range of traditional crafts is another forward-looking element, activation of which is connected to the reconstruction of crafts, restoring them to new forms – training and gift shops, artisan houses of ethnic villages, etc. The wealth of the territory consists of famous fellow countryman. Their way and cultural contributions can and should be subject to display and disseminate conducted in various forms.

Hospitality infrastructure in a broad sense includes not only the existing facilities network, providing the intensity and diversity of cultural and recreational activities within the museum, children's cultural institutions, art groups, businesses that provide recreation, but also things that can be used for recreation. It is important to take into account both the services representatives and beneficiaries. Among them there are children's and adult social institutions (orphanages, shelters, rehabilitation centers, health resorts, summer camps, etc.) which could become active objects with their features and characteristics determining their place in the cultural and recreational network.

In the infrastructure framework of the Republic's cultural recreation areas one can mark out organizational structures different in

their type and kind of supported activities, but similar in initiatives and committed people.

Of particular importance in the formation of municipal CRC are *holiday calendar activities*. Patronal feast, "prescribed" in certain locations, the activities associated with the celebration of the famous countrymen, folk and contemporary music festivals play a big role in streamlining and organization of culture and recreation, support the old traditions and build new ones.

The real advance in the CRC organization depends on the *success of the project activities*. Ambitions and initiative of administrations, institutions of education and culture, creative teams, representatives of the people to develop their own proposals and participation in national and international projects are important here.

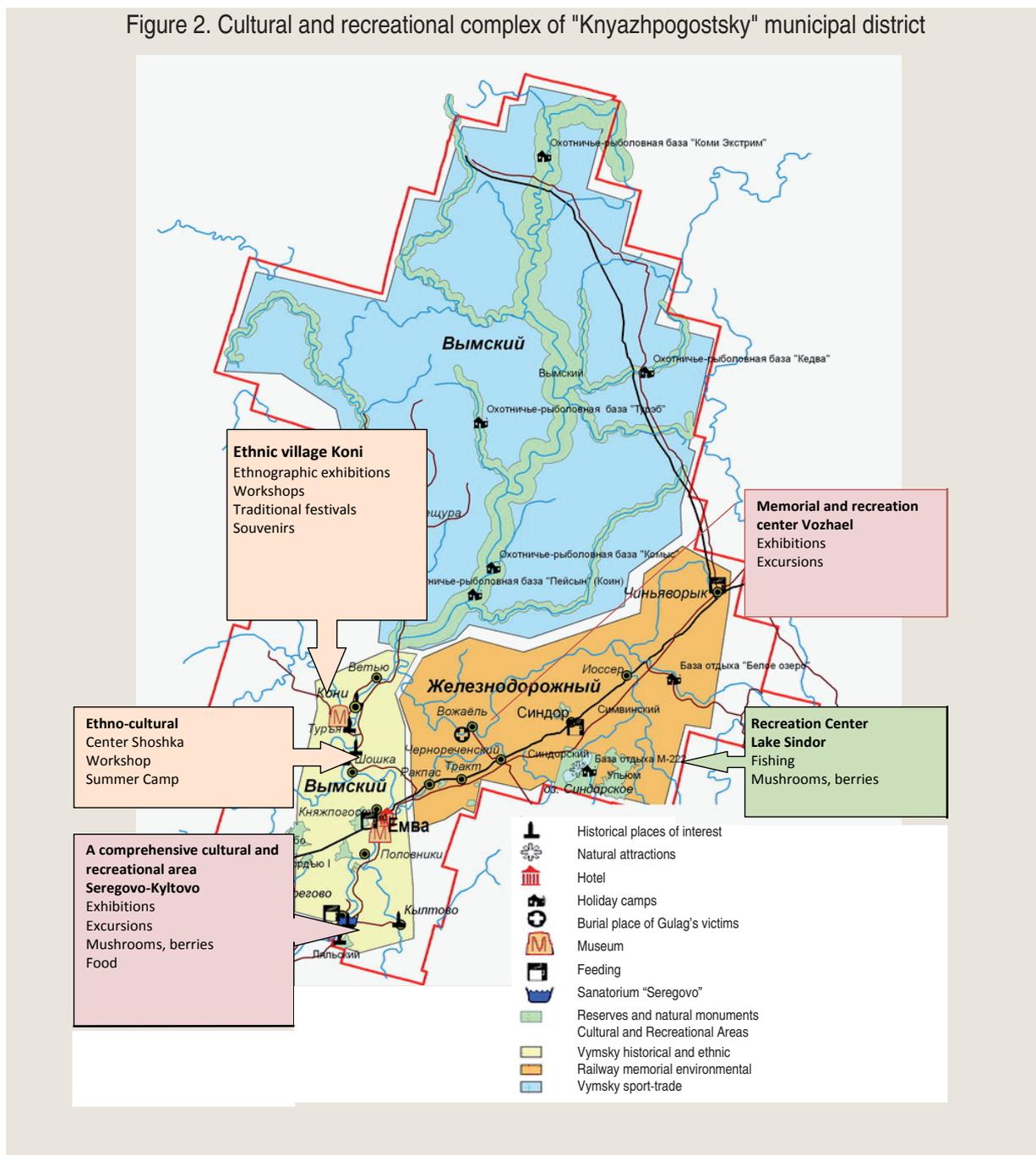
The CRC contour is basically modeled by such directions as organizing cultural and recreational areas and centers of different types and learning traditional art and craft activities.

A variety of local features creates a sufficient diversity of cultural and recreational areas in health-improving, historical, cultural, ethno-cultural background and their combinations, supplemented by business components. These examples are presented in the schematic map (fig. 2).

Recreation and health-improving specialization is spread more widely. These are winter recreation, such as "Zelenetskie Alps" (near Syktyvkar), year-round hunting and fishing holiday camps in the MD "Knyazhpogostsky" etc. Such a country vacation with a duration of two days of tours and more, with the opportunities for fishing, hunting, gathering mushrooms and berries can be arranged in other places, as recommended in the research and analytical reports prepared for certain areas.

Recreation and health-improving centers also include Seregovo resort, which lies north of the city of Syktyvkar, its balneological base is represented by mineral waters used for bathing and other external procedures.

Figure 2. Cultural and recreational complex of "Knyazhpogostsky" municipal district



A potential center in Ust-Vym settlement can serve as a striking example of *history and cultural* specialization. Its background is a powerful historical potential, associated with the largest figure of medieval Russia Stephen of Perm, churches, Michael-The Archangel Monastery, National History Museum, architectural monuments. Important prerequisites

for the development of the center are a multi-year practice of tours and festivals (festival "Ust-Vymskie Dawns"), the preservation of folk traditions and local work with children.

Features of a number of regions connected with special migrants' settlements, the Gulag's activities determine the memorial specificity of historical and cultural specialization. Such

specificity is characteristic for many districts and towns of the Komi Republic, and must be necessarily reflected in the tourist and recreational activities.

Ethno-cultural specialization is attractive because of revival of ancient villages, a successful experience of which can be found in Finland and Karelia. The basis for establishing such facilities in the Komi Republic is a historic area of crafts preservation, shopping places (fairs). Here one can get acquainted with the house of Komi, Komi national cuisine, national features of hunting and fishing, with farmhouses, Komi customs, traditions and legends. Historical prototypes of ethnic villages were met in all the surveyed areas.

Integrated cultural and recreational direction supposes a combination of historical and ethnic components with suburban leisure of varying lengths.

This may be a zone "The Finno-Ugric village" in the Yb settlement (municipal district "Syktyvdinsky"), where it is supposed to erect a complex of buildings and structures for year-round recreation.

In the project Glotovo – Yirva (municipal district "Udorsky") it is possible to combine historical and cultural components of the Glotovo settlement which has Hristorozhdestvenskaya church with roots in the XVI century, legends of the village grounds, ancient perevolok Yirva – Vorykva, famous countrymen, opportunity to use the holiday calendar, and the development of the exposition, restoration activities in the context of the historical village, as well as the natural capacity of river Yirva.

In some settlements there are favorable conditions for combination of cultural, recreational and agricultural components. This is a traditional animal husbandry and gardening, which provide visitors with food and, in turn, receive steady sales. In the former settlements of iron factories Nyuvchim (MD "Syktyvdinsky"), Kazhim and Nyuchpas (MDS "Koygorodsky") one can find the survived attractions which may become the nucleus of cultural exposure after carrying out rehabilitation work, and ponds are already being used for fish farming.

Studying traditional artistic and trade activities is a constructive form of employment growth of northern peoples in the Nordic countries. For example, among the training courses of the Education Center in Sami region in Lapland (Finland) there is the traditional reindeer husbandry, tourism (guide-conductor, tourism services manager), Sami handicraft, wood, precious stones and metals treatment.

In the Komi Republic a center of crafts is created (Vylgort settlement near the city of Syktyvkar). The Center will be both educational and methodical organization of training and retraining for teachers of handicraft, the fine arts, masters of crafts and arts and crafts amateurs. In the future, ethnic villages can become a platform for learning artistic skills.

Organization of cultural and recreational complex

Mechanisms for CRC formation refer to the areas of strategic planning, finance, information and personnel security.

Designation of CRC strategic contour can be arranged in a special document or embedded in the overall area development program, preferably with fixation of certain projects. Many areas already study these directions, primarily in tourism, and in the specially designed units.

Diversification of funding sources is an important moment of the implementation of district plans and projects. One of the real funding sources is the inclusion of regional projects in Republican efforts to develop tourism and culture. Financial support can be obtained from the Ministry of National Policy, which conducts an annual grant competition "Ethnic Initiate" among the dozens of projects in five categories. The maximum size of the grant is 100 thousand rubles.

One of the sources of financial support for cultural and recreational projects could be an inland regional competition's fund, similar to the Republican "Ethnic Initiate". An example is the charitable fund of JSC "Lukoil" and LLC "Lukoil-Komi", which organizes contests of social and cultural projects in the Usinsk city.

Foreign aid in the implementation of the ethno-cultural projects remains virtually an untapped source. Karelia has a successful experience in this respect. Thus, over the past

eight years Finnish organizations sent about 50 thousand euros for the revival of the historic villages of Karelia Kinerma.

Informational maintenance and advertising is an indispensable element in the formation of the CRC. It is supposed to develop and maintain recreational and cultural unit at the regional site, the publication of leaflets, special informational publications designed for the investor, including information about the object to the state directory of investment projects.

Education in cultural and recreational aspect includes such forms of work as classes with diverse «agenda» (master classes, exhibition of decorative arts and crafts, and history excursions to a particular area, etc.). Ethnographic shift in the camps, not only for children, but families are becoming increasingly popular in the Finno-Ugric regions, including the Komi Republic. During these shifts children get better acquainted with the life, customs and traditions of their forefathers, study national types of arts

and crafts in stationary or mobile workshops with the help of mobile means (road shows and computer programs).

Training is an urgent task to develop new areas of municipal and regional economy, which would require professional eco- and ethno-instructors (guides), managers of tourism. Taking into account the interests in the tourism promotion their training can be organized not only in Syktyvkar State University, but other educational institutions of the Republic.

Municipalities have a variety of cultural and recreational potential and varying size of the market. However, there is no doubt that an ethnographic focus and national flavor culture, combined with opportunities for various forms of recreation, while ensuring targeted and the actual mechanisms at district and national levels will help establish a new promising sector of municipal economy with its necessary contribution to the financial income and local employment.

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Development of tourism in the Arkhangelsk area

This article is devoted to the development and functioning of the regional tourism industry. The main problem of inbound and domestic tourism, the tourism infrastructure state, supply and demand in the tourist market of the Arkhangelsk region are considered in the article. The assessment of historical and cultural factors in the development of regional tourism and regional promotion of tourist products is also given in the article.

The tourism branch, regional tourism.



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Modern tourism is actively growing sector of many economies of the world. Despite its high tourist potential, Russia is far from advanced positions on the global tourism market, creating mostly visiting flows. As a percentage of gross national product of tourism is less than one percent. The main constraint to the development of both domestic and inbound tourism remained steady appreciation the value of travel packages. The ratio of price and quality, and variety of overseas tourism services induced many Russians, to the choice of foreign travel. At the same time, the price of a week-long tour of Russia for foreign tourists has grown by an average of almost three times compared with 2001. There is an urgent need, finally, solve the basic problems of incoming and domestic tourism. For leisure and travel in our country have

become comfortable, interesting attracted not only Russians, but also flows of tourists from other countries.

Available in the Arkhangelsk region of unique natural complexes and picturesque landscapes with a rich and endemic flora and fauna, historical monuments and architecture, as well as the culture heritage of the Russian North can become the basis for the development of tourism industry region. But, in spite of the existing tourism potential, favorable geographical and political situation, the Arkhangelsk region occupies a very modest place in the tourist market. The main directions of tourism flows – the Solovki, Arkhangelsk, Severodvinsk, Onega, Kargopol, Kenozero and Pinezha. But while half the incoming flow is in Arkhangelsk.

There are near 60 companies working on the tourist market of Arkhangelsk region today, 6 of them are tour operators, others are engaged in travel agency activities. In recent years, the number of travel companies in the Arkhangelsk region greatly increased (fig. 1). This reduces the number of tour operators and a growing number of travel agencies. The number of workers in this area does not exceed 250 people, including workers and employees of an unscheduled. And although for the period nearly doubled the number of tickets sold populations, but it happened due to increase in sales of tours to foreign countries (fig. 2). The total cost of the public tourist tours in 2007 amounted to 570 million rubles.

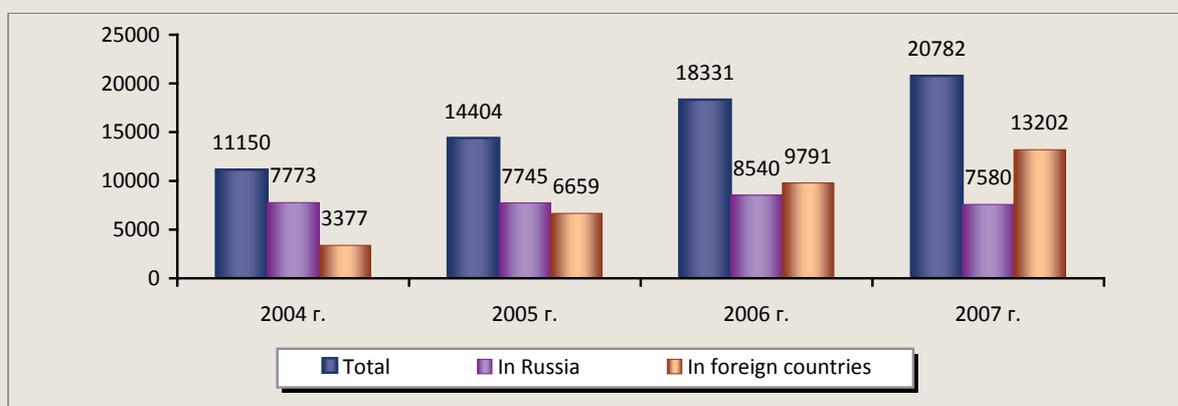
One of the traditional holiday in Russia has been and remains a health resort. In many regions, just medical institutions based on the curative properties of natural therapeutic factors become holiday place for a considerable part of tourists. In the Arkhangelsk region for many years, there are 7 sanatorium (including guest houses with medical treatment), 11 sanatorium-preventorium (up to 2007 – 13) and a holiday center, in general, calculated to 2,5 thousand places, and 9 recreation center on the 730 seats.

Designed and implemented social and economic program «Development of tourism in the Arkhangelsk Region (2007 – 2009 years)»¹, tourist complex, providing ample opportu-

Figure 1. The number of travel companies in the Arkhangelsk region, including those which are engaged in travel agency activities



Figure 2. Quantity of sold tourist vouchers



nity to meet the needs of Russian and foreign citizens in a variety of tourism, promoting the conservation and efficient use of tourist and recreational resources. Program includes:

- ▶ improving information security management system of tourist-recreation complex;
- ▶ formation of the modern marketing strategies to support and promote regional tourist products in the domestic and international markets;
- ▶ improvements in the management of development of tourist-recreation complex and structure of the tourism market of the region;
- ▶ creation of new tourism network;
- ▶ encourage the development of tourism infrastructure by attracting domestic and foreign investment for reconstruction of the existing material and technical basis, creation of new tourist facilities and accommodation;
- ▶ staffing industry, improving the quality of services in the tourism and hospitality.

Among the main activities of the Program:

- ⇒ information support the tourism industry;
- ⇒ promoting tourism in the municipalities of the region;
- ⇒ development human resource capacity of the tourism industry;

- ⇒ development of tourism infrastructure;
- ⇒ web-site maintenance.

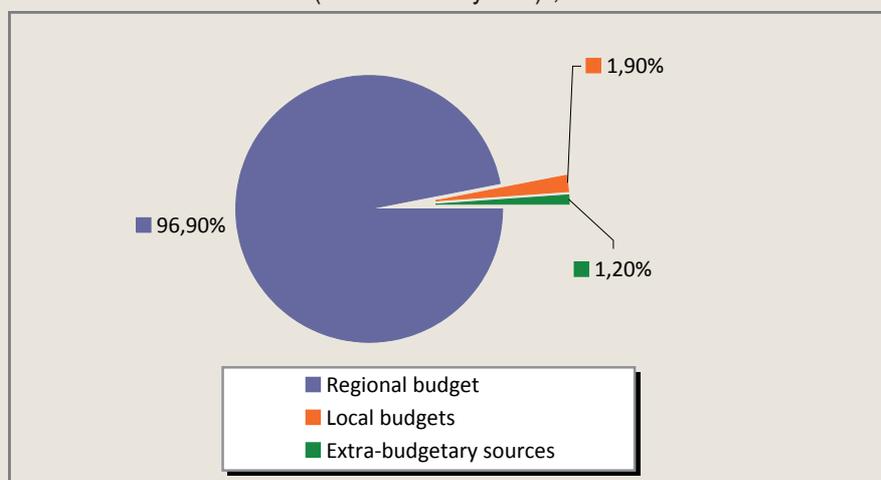
Expected outcomes of the Program:

- creating the conditions for a modern and competitive tourist market, the conservation and efficient use of tourist and recreational potential of the region;
- development of tourism as an industry specialization, have a stimulating effect on the economy of the region and improving the quality of life;
- broadening the tax base through the entry of new tourist facilities and accommodation, creating more jobs, increase tax revenues from tourism in the budgets of all levels;
- promote the development adjacent to the sphere of tourism industries.

Although the program states that "major constraints of development of tourism in the Arkhangelsk region is the lack of public support for the development of the sector budget allocations" (Section 1 "Contents of the problem and rationale for its decision software techniques"), the structure of financing of the Program does not reflect the declared financial sentiments (*fig. 3*).

The total amount of funding for the Program is 366 370 thousand rubles, including: the

Figure 3. The structure of financing of the Program "Development of tourism in the Arkhangelsk Region (2007 – 2009 years)", %



regional budget – 7 000 thousand rub.; Funds from local budgets – 4 320 thousand rubles; Extra-budgetary sources – 355 050 thousand rubles.

On the question of financing: The Government of the Vologda region has adopted a long-term targeted program "Veliky Ustyug – the birthplace of Father Frost" in 2009 – 2010, which allocated about 90 million rubles infrastructure development fiefdom of Father Frost in the Veliky Ustyug Municipal District. At the same time from the district budget in two years is planned to allocate almost 11 million rubles, from the budget of the Vologda region – more than 78 million rubles. The funds will be spent on design and construction of infrastructure facilities at the fiefdom of Father Frost in the town of Veliky Ustyug, as well as the various activities under the project.

In recent years, some positive developments in the formation of regional infrastructure of the tourism industry have been in the Arkhangelsk region. There are good hotels to accommodate visitors of the city, a lot of food service companies of high-level in Arkhangelsk. There are some positive changes in the field of tourism areas of the region.

Opened timber hotel «Golubino» provides a range of tourist services. Pinega develops, the guest house with rooms of high class was opened there. Recently, the programs of the museum of wooden architecture "Malye Korely" are very different, tourists go there with pleasure. The ski tourism is developed in Onega.

In general, the tourism infrastructure in the region developed very poorly and does not fully conform to the revitalization and tourism development. Inadequate transport infrastructure development, poor quality of roads and roadside services, the poor state of airports, road and railway stations, lack of modern tourist buses, etc. do not contribute to the revitalization of the regional tourism industry.

The development of a river and sea tourism may become a very promising direction. At present, the air transport is used to transport tourists to the unique island complex – the

Solovky. By sea you can get to the Solovki only through Karelia. In Arkhangelsk, as already noted, there are good hotels to accommodate visitors to the city, but modern tourist class hotels need for the development of the tourism industry. All this requires considerable resources. Consequently, if we want to make this industry one of the main strategic directions of the socio-economic development of the region, you must create an enabling environment for investment in it.

To ensure that tourism has become one of the leading industries of region's specialization, should make great efforts, including organizational, promotional and financial. But only advertisement is not enough.

Industry's operating schedule is not directed at optimizing the work with the client and does not take into account the specifics of the travel business, and politics increasing price leads to a reorientation of the tourist flow to other regions. During holidays the service is trying to arrange a weekend, on the eve of New Year holidays, many trains are canceled, the museums are closed. Observed that in countries where tourist industry actively grows the majority of travel agencies are dealing with internal and entrance tourism, we have the same picture of the reverse: the majority of travel agencies send tourists abroad.

It is necessary to the formation and promotion of tourist products. The analysis shows that in Russia there are tourist offices of different countries, they cooperate closely with the national tourism business, to promote its tourist products, organizing familiarization tours. It can only dream of this kind of tourism business' infrastructure in the region. And it is her absence makes it difficult to promote and sell the regional tourist products. In order to integrate the region in Russian and foreign tourist market it is necessary to form an attractive tourist image of the Arkhangelsk region.

Another problem of a regional tourism business is high prices and the disparity between the price and quality services. The cost of seven days' travel by the river from Arkhangelsk

to Veliky Ustyug is 17 thousand rubles. For the same price Arkhangelsk travel agencies offer a similar length trip to Turkey. The high cost of tours combines on a number of cases with low quality of services; it leads to a decrease in the competitiveness of the regional tourist products. To improve the quality of service the tourists it needs to change the professional and educational standards.

Multiplicative effect on the development of tourism is affecting many sectors of the economy. In addressing the development of regional tourist complex, it is possible to achieve positive results in various segments of the socio-economic system of the region. This is not only filling the budget, but also the development of services and social infrastructure, the problem of employment (eg., development of tourism in the areas can provide employment for many people who lost it due to the closure of logging enterprises and industries), etc.

For the sustainable development of regional tourism industry needs to develop a general scheme of the territorial organization of tourism and recreation in the Arkhangelsk region, highlighting the regional centers of tourist-recreational system that must be provided for the concentration of tourist services (accommodation, meals, medical centers and services, transport services, recreational facilities and attractions, museum and exhibition). There are the majority of companies and enterprises involved in the implementation of tourist products and conducting excursions here. Major and minor tourist routes connect tourist centers among themselves and with major regional tourist areas, and have outputs to other regions and foreign countries.

The project work is of particular interest in the development of regional tourism, supported by foreign partners and aimed at the mainstream of historical and cultural factors in this area.

One example of this is a small project in the field of culture, which we do not see how

a department exclusively. An important component of it is related to the opportunities for tourism development and the role of cultural institutions in this process.

Before you begin this kind of action it should be formulated, that a project could give the territory that will follow him and how it will help to improve the situation. We see the tourist development of Southern countries, seeing their rapid development from those who are looking for temporary "holiday happiness" in the conjunction of favorable climate, availability of service, active recreation. And, in general, it receives.

North could not boast of climate, the infrastructure is not always lucky, and the service leaves much to be desired.

There are, however, a certain category of tourists, do not expect a five-star hotel on the outskirts of a small provincial town, understanding that good roads are the future of business, but what to see, feel, hear about the nature and weather, culture and history, local residents and traditional cuisine, etc., that there are many, stratify each other experiences, which they seek.

It is important such a thing as a standard, i.e., conditions suitable for the tourist in terms of cleanliness, comfort, safety and quality of service activities. And it is occasion to understand the territory, where the tourists came, in terms of its culture and history, because these components are the most attractive points for the educated Russian people, having the means and desire to travel to their native country.

For example, what could be exciting in the town of Onega, and how cultural and historical factor of the typical northern town can be important for the development of tourism and for the future prosperity?

These questions we ask ourselves, when the project idea worked. Is there a "local standard"? What is unique Onega? How will the project be able to contribute to socio-economic development of the territory and what is the role of cultural institutions and the local population in the project?

Some of these questions have an answer in the title of the proposed project: "The history of the northern shipping as a resource for the development of historical and cultural tourism in the Arkhangelsk region: I stage". We understand the northern sailing in the broadest sense. These are polar expeditions to the shores of the Arctic and the fishing, the development of the islands of the Arctic Ocean. These people are Onega's captains constituting the glory of Russia. Variety of questions "local people – the creation and promotion of the image area – tourism development – the quality of life" has become inseparable from projects in the field of cultural policy, which affect socio-economic development of territories.

In September 2008, the realization of the first project has initiated. It is based on the history of Alexander Kuchin, a young oceanographer and captain from Onega, who missed with Rusanov's expedition which sent to explore the Arctic islands and to study the Northern Sea Route. "History of the Northern Sailing..." was supported by the Norwegian Barents Secretariat, the Committee on International Relations and Tourism Development and the Committee on Culture of the Arkhangelsk region became the coordinators of the project. The aim of the project was to determine the role the marine culture potential could play in the image of the Onega district, to determine the role of museums and how to use international partnerships for the development of our northern territories. Logically, the project is divided into such components as:

- ➔ original Museum audit of Northern Norway and Archangelsk region, dedicated to maritime themes at the installation meeting in Arkhangelsk;

- ➔ scientific and Practical Conference "Pomeranian culture and northern sailing" (in Onega) and showing a documentary film "Alexander Kuchin is a Polar captain" within it;

- ➔ presentation of cultural and tourist potential of the Onega district, including the Kiy Island located in the White Sea;

- ➔ round Table on the analysis of the identified needs and existing resources for the continuation of the project.

In addition, the program included a meeting of heads of Sister municipalities Gamvik commune and municipality "The Onega Municipal District", the municipality "Onezhskoe", on which agreement was achieved on projects in the social sphere (youth initiatives, children's camp "Shores"), on promotion of Tourism and Sports, as well as the development of the fishing industry in the Onega district.

The development of tourism through cultural, scientific, research context, through the mention of Onega in the mass media (while not denying, however, other ways of development) is important for local cultural institutions, and local residents who are interested in themselves and with willingness to become participants and events co-organizer.

We are confident that the development of tourism through the promotion of the image of Onega, its history of navigation and the northern polar expeditions is successful implementation of local specificity and the potential of the territory.

Further development of the approach was in the formation of another joint project "Cold shore – close relations: Russian and Norwegian polar expedition and navigation". Of course, this is not "pure Tourist" project. But it includes Onega, Arkhangelsk, Troms, and Andoy, introducing a joint international cultural product, and thereby acquires new meaning and scope.

The purpose of the new project is the creation of a modern museum media method of the joint museum exhibitions on polar history of both countries, as well as Internet-exhibitions digitization of full-scale exhibits, combined text and graphic images. We understand the project as part of a process aimed at developing the museum's cooperation between the Arkhangelsk region and Northern Norway, and we see socially important role of this cooperation in promoting maritime culture, which is necessary, including for tourism development.

More than 15 organizations of Northern Norway and Russia have expressed their consent to participate in the development and implementation of the project. First of all, these are the University's Museum in Troms, Polar Museum in Troms, Arkhangelsk Regional Museum, Historical and Memorial Museum of A. Kuchin in Onega, the North Sea Museum and the Museum of Art development of the Arctic of A. Borisov, Arkhangelsk Regional Center for Advanced Studies in Culture, the Museum of Wooden Architecture and Folk Culture "Malye Korely" etc. The Department of Culture Provincial province of Troms and the Committee on Culture of the Arkhangelsk region are the coordinators of the project. Negotiations are under way with representatives of other museums and universities. The project period will be 3 years. It began in November 2008 and is scheduled to finish in December 2011.

Feature of the exhibition is in the broad use of information technology through the creation of electronic resources and their demonstration on flat screens and presentation of spatial data. To a lesser extent, the exhibition will be based on the artifacts, and, if used, they should be represented in every museum collection in each country separately. Through extensive use of text, photos, and technologies, data storage and processing exhibition can be easily transformed into a Internet-exhibition on the last stage of

the project. Internet-exhibition will be open December 14, 2011 with the deployment on a Web server, one Russian and one Norwegian museum. This approach can be seen as a good image and marketing approach to promote regional tourist products.

Duration of the project is to find financial support, as the Norwegian or the Russian side and the time for the preparation of digital materials for exhibitions. It is necessary to organize meetings and detailed agreement, and at least two training workshops for museum professionals, which will create electronic resources for the exhibition.

The second pipeline projects are also international (Russian-Dutch), – "Education and hospitality standards" – for the local population in the Onega begins parallel to the "cold shores ...".

Thus, we have presented the importance of cultural factors in shaping and advancing the image of the territory, which is impossible without the development of tourism in two projects, the second of which is under construction.

We understand that some projects do not develop tourism. Much remains to be done, and we want to believe that our efforts are not lost. We, the inhabitants of the Barents Euro-region, have opportunities for development, and this resource should be used.

Notes

¹Socio-economic program "Development of tourism in the Arkhangelsk Region (2007 – 2009)" [Electronic resource]. – Access mode: http://www.pomorland.info/doc/normativ_act/regional_programs

Strategy development sea tourism in Euroarctic region

This article discusses strategic directions of the sea tourism development in the Euro-arctic region of Russia. We analyzed the current state and prospects of the development of the Arctic sea tourism as a tool for the development of the Arctic in order to achieve objectives of the maritime activities strategy in the region. We defined priority types and forms of sea tourism and substantiated a strategy for creating a system of specially protected natural areas in the Barents Sea region of Russia.

Sea tourism, the Arctic, the Barents Sea region, cruises, atomic icebreaker.



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Sea tourism is a type of maritime activities. Cruises, sea travel on ships became the main form of sea tourism. The cruise business is the most dynamic, growing and profitable sector of the global tourist market, but Russia ranks little in it. In addition to the sea tourism cruises include scientific expedition tourism, diving, sea excursions, walks in coastal zone, monitoring of marine animals. The object of the tourist interest is the maritime activities themselves, the maritime history (maritime museums, monuments, ships, etc.).

Despite the harsh climatic conditions the Arctic Barents Sea region of Russia possesses tourism attractions and recreational opportunities. The Murmansk region, bordered by two seas at once, has the longest coastline in Russia. Even the cold North Sea offers unique opportunities for recreation and travel.

Scientific expeditionary sea tourism and the strategy of creating a system of specially protected territories in the unique Barents Sea region

The Barents Sea region has a unique potential for exploration. Virgin natural landscapes of the Arctic Barents Sea region are unique

monuments of wildlife. The historic legacy of polar expeditions from different parts of the world has preserved in the region.

In 2008 the International Polar Foundation organized the expedition along Sevmorputi – "Arktika-08" on the research vessels "Akademik Fedorov" and "Mikhail Somov". In 2009 the results of the expeditions are planned to be issued in "the Atlas of Cultural and Natural Heritage of the Russian Arctic" [1].

A flagship of the Arctic exploration in Russia is the Arctic Sea complex expedition (ASCE) of the Russian Research Institute for Natural and Cultural Heritage. Over the years ASCE has been working in close collaboration with the Murmansk Shipping Company (MSCo). This collaboration allowed them to make the complex exploration of historical and natural environment of the Arctic region.

After numerous explorations ASCE was asked to create by 2010 a single international system of protected areas of the Arctic region which will be called "The Arctic Circle". The Arctic Barents Sea region should be the first region of the system. Within this system some comprehensive measures were provided for

the creation of an international park "Willem Barents" in areas associated with the expedition of W. Barents: the northern coast of Novaya Zemlya, Vaigach, Matveev, Myasnoy Islands, the south of the Svalbard (Norway), and Bear Island (Norway) [2].

Also in 2010 a national park «The Russian Arctic» on the territory of the Russian Barents Sea region is proposed to be built. The main idea of the creation of the park is to take state custody and the protection of huge territory in the high Arctic latitudes which includes: the Franz Josef Land archipelago, Victoria Island, the north part of Novaya Zemlya and the adjacent waters of the sea. The park territory with an area of 6 million 200 thousand hectares includes the largest habitat of Atlantic walrus, polar bear, deer, Greenland whales and rookery in the Western Arctic region. A tourist center and environmental routes are planned to be developed. Up to 800 tourists are currently visiting this area annually [3].

The strategic goal of establishing a national park is an ecological balance in the major Arctic territory. This involves preserving the unique heritage of the Arctic territory and including it in the international system of ecotourism. Also important is the goal of the Russian presence in the Arctic region.

Arctic Cruises

Sightseeing cruises on icebreakers in the high latitudes of the Arctic have been organized during the transition to a market economy since 1990 on the ships of MSCo. The Arctic cruise to the North Pole is an exclusive Russian tourist product. Russia is the only country in the world which brings tourists to the top of the world by sea. All the tours to the Arctic are focused on rich tourists from Western Europe, America and Asia.

Since 1993 the main carrier of cruise tourists to the North Pole becomes the nuclear ship "Yamal". Each sea voyage with 70 – 100 foreign passengers on board took about two weeks and costs 20 – 25 thousand dollars per person. Service on board of the icebreaker is at the level of a five star hotel. Cruising is carried out on the

routes: Murmansk – Svalbard – North Pole, Murmansk – Franz Josef Land – North Pole with a call to Novaya Zemlya.

The diesel-electric icebreaker «Captain Dranitsyn» is often used for polar cruises. The ship of MSCo for 130 seats operates mainly to the Svalbard and Franz Josef Land.

In addition to polar ice-breakers the passenger ship of ice class of MSCo "Polaris" with a high level of accommodation and services to passengers has been also used for cruises since 2004. The ship operates on time-charter contracts and is usually involved in sea voyages through the Kola Bay (a three-hour excursion to Sal'ny Island) and sea cruises to the Antarctic and the Svalbard [4].

A freighter of MSCo ships Moscow tourist company "Land Tour" now is a monopolist in the Russian Arctic segment of the international market of tourist services.

In 2008 we expect about 2000 visitors on the Arctic routes. This tourist flow has remained constant the last few years, due not only to high-cost tours, but also to the technical capabilities of carriers [5]. In 2008 we planned to implement seven Arctic cruises on ships of MSCo.

The ship "Polaris", with 70 passengers on board, carried out two cruises, which lasted 13 days, from the Norwegian port Longyear (the Svalbard) to the shores of Franz Josef Land. And among foreign tourists for the first time there were a few Russians. During the cruise tourists watch the polar birds and animals, land on the archipelago islands, where they see the unique landscapes of the Arctic. Also in 2008 the icebreaker "Yamal" complied two trips, with an average duration of 16 days, to the North Pole via Franz Josef Land.

In 2008 the newest and most powerful in the world atomohod "the 50 anniversary of Victory" built in 2007 debuted on the Arctic trail. This summer the new icebreaker carried out three trips to the North Pole with 100 tourists from the United States, China and Europe on board [4].

In late 2008 the atomic ice-breaking fleet which had been located on trust management of MSCo for a long time, was conveyed to the state structure of Rosatom Federal State Unitary Enterprise "Atom-fleet".

In future the passenger motor ship of MSCo "Klavdiya Elanskaya" can be re-used for sea tourism cruises which is currently performing passenger traffic along the Kola Peninsula. For example, the route of the ship can be extended to Kandalaksha through Umbu or the popular cruises in the past to Arkhangelsk and the Solovetsky Islands can be restored. Another vessel of MSCo "Vassily Kosyakov" continues to carry tourists and pilgrims from Kemi to the Solovetsky Islands. The cost of a three-hour trip in 2008 was 500 rubles.

The main competitor of Russia on the sea tourism market in the Arctic is a Norwegian company "Hurtiruten" which organizes cruises to the north of Norway and the Svalbard archipelago. In future the routes of the company, as a rule ending in Kirkenes, can be extended up to Murmansk and even to the Solovky and Arkhangelsk. And another management approach is to restore a direct passenger service over the Barents Sea from Murmansk to Norwegian Kirkenes.

Sea tourism development strategy in Murmansk

Since 1990s Murmansk has been developing as a center of the international sea tourism and the cruises starting point through the northern seas. It is here the world's largest nuclear ice-breaking fleet is based and used for summer Arctic cruises. Nuclear powered ice-breakers are federal public property which cannot be the subject to privatization. Two of ten Murmansk nuclear ships transferred in 2008 to the state corporation «Rosatom», ice-breakers "Yamal" and "the 50 anniversary of Victory", are involved in Arctic cruises in this period.

In 2008 the nuclear ship "Arktika" was taken out of operation. Among the possible ways of its further use is to alternate it into the floating hotel that will help to solve the problem of accommodation shortage in Murmansk.

The oldest in the world atomic icebreaker "Lenin", built in 1959, and decommissioned after 30 years of use, soon will be a key target of the marine historic and cultural areas, emerging in the area of seaport buildings. In 2009 the 50th anniversary of the atomic icebreaker and the 50th anniversary of the atomic fleet of Russia will be celebrated by opening a museum of history of the nuclear powered fleet in Russia and development of the Northern Sea Route on board of the "Lenin".

The ice-breaker is currently being prepared to putting it on eternal mooring near the seaport buildings. An information stand was installed on a formed embankment. 25 – 30 million rubles are spent on the maintenance of the "Lenin" annually [4].

In 2009 the design work on reconstruction of far lines pier and the seaport buildings, the further improvement and extension of the embankment are planned. The main passenger pier of the seaport buildings is in bad condition and can accept no longer modern cruise ships longer than 140 m.

In future foreign cruise ships could be accepted by the seaport buildings rather than by deep-sea terminal commercial and fishing ports. Moreover it is the regulated area to visit which requires the execution of a pass.

A tour operator company "Nordmorservis Travel" has been a monopolist in the sphere of incoming cruise tourism in Murmansk for many years. Annually it receives and serves 4 – 5 cruise liners with European tourists in Murmansk. A number of tourists on board of a ship varies from 160 to 1 000 people. Most of them are retirees from Germany and Great Britain. The ship moors in Murmansk on average for 9 – 12 hours. During this time the tourists manage to see the city sights, and spend tens of thousands of euro in museums, souvenir shops and restaurants of the city. The main problem in this kind of tourism is the lack of comfortable sightseeing buses of tour class. For one large cruise ship 15 – 17 buses are required.

The strategic direction of the sea tourism development in Murmansk is the creation of

new unique sea attractions and events. Since 2006 the city became the place of a bright sports festival "Murmansk mile" with a traditional race through the Kola Bay. Here it is advisable to build a comfortable sea quay with a length of 1500 m in the vicinity of a new bridge.

Small urban sculptures associated with the sea theme can decorate prospective Murmansk embankments, and the museum and exhibition of marine equipment in the open air as in Kaliningrad and Vladivostok.

The unique Oceanarium (a theater of marine animals) in the Russian North is the world class show object which can be supplemented by setting up on its base the museum and educational center "Life of the Northern Seas" with panoramic ocean aquarium.

Problems of the tourism development in the archipelago of Svalbard

One of the main centers of tourism in the Arctic Barents Sea region is the archipelago of Svalbard, which is visited by nearly 40 thousand tourists.

The major tour operator through Russian villages of the archipelago is a Norwegian-German company "Svalbard tour". The company has organized regular summer travel programs. These programs include residency of groups in the village Pyramid for several days, unlike other companies that have used Russian villages only as an exotic venue for tours during brief visits of several hours.

There are a lot of economic problems in Russian settlements on the Svalbard. They demand substantial government subsidies. A very limited tourism is unable to improve the economic situation.

Despite the great economic achievements in tourism of a nearby Norwegian settlement of Longyerbyen Russian settlements on the Svalbard are not paying proper attention to the development of tourism as an additional basis for their economic livelihoods.

While the tourism associated with the residence at the hotel plays an insignificant role in Barentsburg and Pyramid, in Longyerbyen from 1993 to 2006 beds in hotels increased from 0 to 500, which gives 70 000 person-days of stay per year, ensuring the work for over a hundred people. In 2006 tourists spent in Longyerbyen from 60 to 100 million Norwegian kroner annually, that is more than the total value of coal sold by "Arktikugol" [6]. This successful development was funded primarily by tourist companies. Taking into account the high prices and high standard of living in Longyerbyen, it should be noted that over the past decade economic changes have been successful. Tourism has played an important role as one of the main sources of employment, the development stimulant of diverse infrastructure (shops, restaurants, hotels), as well as the population growth, which would not have been possible without the additional funds brought by tourists in Longyerbyen. This raises the question: why is the tourism practically plays no role in the neighboring Russian villages, despite their dire economic situation and high demand for permanent government subsidies?

Summer tourism in the settlement of Pyramid was terminated in 2000 because of the unwillingness of "Arktikugol" to negotiate an agreement on a lasting basis, even though its opinion was a condition for the application of forces to the broad marketing, and thereby the attraction of the required number of customers that would balance the cost of maintenance of tourism infrastructure of a remote, abandoned settlement.

In Barentsburg annual income from tourism, according to our estimates, can reach about 1 million Norwegian kroner, which is just over 1% of the revenue brought by tourism in Longyerbyen [6]. Almost all tourism is a short hour and a half tour around the village, while the hotel is used little by tourists.

Tourism and coal output are completely different productions often with conflicting needs. Therefore, the transformation of tourism into the main economic pillar of Russian towns is unlikely until their leadership preference is given to coal mining. This is especially true for Barentsburg, where tourism development is particularly difficult because of the transport inaccessibility of the village.

Change of the "Arktikugol" leadership led to the replacement of nearly all personnel associated with servicing tourists, resulting in a loss of professionalism in dealing with foreign tourists. The Norwegian governor of the archipelago demanded the closure of the hotel in Pyramid, and the company "Svalbard Tour" had to exclude the settlement from travel programs

since 2000 [6]. Therefore leadership must save the village that would be much cheaper than the cost of subsequent recovery. We suppose:

– establishment of Russian towns governing body, receiving limited public subsidies and not depending on any local company;

– development of a long-term concept for tourism in each village, focusing on types of tourism, in which villages have advantages over Longyerbyen (especially the natural aspect, culture, science cooperation in tourism, etc.).

The Government of the Murmansk region offers Norwegians to create the joint industrial and economic zone on the archipelago. Russia and Norway could become strategic partners in the development of infrastructure and tourism business on the Svalbard.

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Status and prospects of tourist industry development in the Vologda region

The article shows the role of the tourism sector in the economy of the Vologda region, identifies key problems and a number of key areas of the tourism development and management tools for the tourism industry of the region.

The Vologda region, tourism industry, problems of the development management.



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Research studies and practice show that under current conditions tourism is increasingly important as a factor in favor of stabilization of the entire socio-economic process, ensuring the inflow of funds into the regional budget, creating jobs, stimulating the production of goods and products, improving infrastructure and communications, etc. In Russia the North-West Federal District occupies one of the most

advantageous positions in terms of the tourism development. It has a unique combination of favorable climatic conditions and the major places of cultural heritage. European experts estimate the total volume of incoming tourism of NWFD in 2006 at 12,8 million people, of which Russian tourists make up about 56%. The tourism industry market of the North-West Federal District of Russia was second after the Central

region (including Moscow) in percentage of arrivals of foreign tourists from countries outside the Commonwealth of Independent States.

Among the regions of NWFД the Vologda region in 2006 ranked 7th at the total income from tourism per capita, as well as the percentage from the tourism revenues in the amount of GRP (fig. 1).

This sector contributes significantly to the economy of the region. In structure of the gross regional product the share of tourism in 2006 amounted to 2,7%. Calculation of the «instantaneous multiplier» showed that every 1000 rubles, spent by tourists in the Vologda region, yielded to its economy 1160 rubles in 2007.

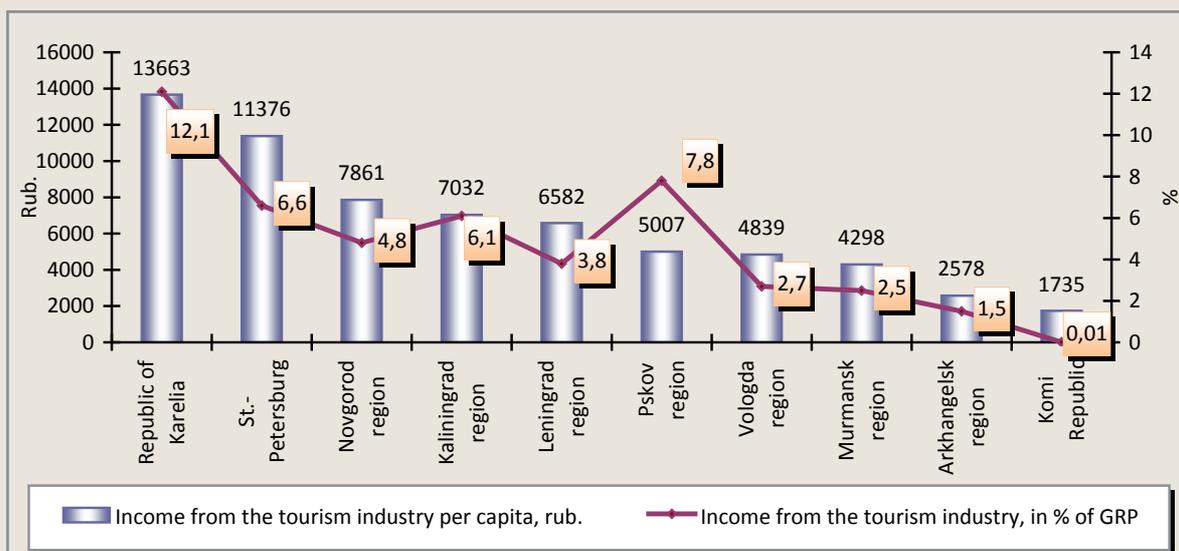
The number of tourist companies in 2007 compared to 2000 increased twice – from 34 to 68 units. 18 of them are tour operators and 44 are travel agencies. The number of tourists served by the Vologda tourist companies amounted to 71 thousand people in 2007, 48,3th people of them were sent to journey through the country, 22,5th were sent abroad and 25,6th people were received by the region.

Success in the market of tourist services depends primarily on the attractiveness of the region. The attractiveness of the Vologda region is attributable to:

1. *Natural and geographical conditions.* The region is geographically widespread. Its length from the north to the south is 385 km and from the west to the east is 650 km. The location of the region in the north of the European part of Russia between 58° and 62° north latitude at the intersection of the ways from Moscow to Arkhangelsk and from St.-Petersburg to the Urals and Siberia is economically beneficial. Natural resources of the Vologda region, with its unique northern landscape, forests, lakes and rivers are of great importance for therapeutic and recreational, adventure and sports tourism.

2. *Peculiar historical and cultural potential.* In the region there are plenty of monuments of Russian history and culture (761 units, including 218 units of federal importance). They are unique architectural complexes (monasteries, objects of religious and civil architecture, city planning and engineering), the ancient portage ways, historic settlements, memorial signs, places connected with the life and work of people who made a tangible contribution to Russian history and culture. 11 settlements of the region listed as a part of the historic cities and settlements of Russia. The main centers of historical and cultural monuments of the

Figure 1. The total income from the tourism industry in the NWFД regions in 2006, billion rubles



Vologda region are Vologda, Kirillov, Belozersk, Veliky Ustyug, Tot'ma, Verkhovazh'ye, Ustyuzhna and Vytegra.

3. *The maintenance and resurgence of folk arts and crafts*, including traditional Vologda crafts such as weaving lace, the Northern niello in Veliky Ustyug, carving and painting on bark and other traditions of folklore, holding fairs.

4. *Environmentally friendly natural areas*, which create the opportunity for the development of ecological tourism. There are two natural monuments of national significance. They are the part of the Darwin State Reserve in the district of Cherepovets (with an area of 45,1 thousand hectares within the limits of the Vologda region) and National Park "Russian North" in the district of Kirillov (with an area of 166,4 thousand hectares). In addition, 77 public natural reserves are organized. Interesting objects of nature that are of scientific research, aesthetic and cultural value are preserved. These are ancient parks, groves and pine forests, flowing springs, etc.

Over the past 10 years the Vologda region has become very noticeable on the tourist map of Russia. The favorable environment in the region, provincial atmosphere make it attractive in terms of recreation for inhabitants of megacities, and primarily from Moscow and St.-Petersburg.

In 2007 the number of tourists visited the region is more than 3,7 times increase compared with the year 1997 (table 1). The bulk of the tourist flow are sightsees (71%), who come in no longer for a period of 24 hours. The remaining 29% of tourists are staying in the region on average for 3,5 days. The Kirillov and Veliky Ustyug districts are visited most of all, they account for more than 30% of travelers. The

tourism potential capacity of the Vologda region is more than 3 million visitors a year. Nowadays its potential is used near 30%.

Having a high level of attractiveness for tourists the Vologda region has a number of problems hampering the development of the tourism industry.

The main problem is the lack of development of tourist infrastructure. Primarily this is the discrepancy of world class collective accommodation (CEB) and the lack of places in them.

The leading position in the number of tourists in collective accommodation is occupied by the city of Vologda and Cherepovets, and six districts of Veliky Ustyug, Cherepovets, Vologda, Vytegra, Tot'ma and Kirillov. The proportion of tourists provided with CEB in the total number of tourists in these districts is 87,7%, which is due to the highest attractiveness of these areas in the tourism sector. At the same time in the districts of Syamzha and Mezhdurech'ye collective accommodation is not available, thus limiting the opportunities for attracting tourists and developing tourist industry.

The hotel complex area of the region in 2007 included 103 collective accommodation means, including 66 hotels, 37 institutions for special purposes such as 24 sanatorium, spa and health camps, preventoriums and 9 campsites and rest homes.

Most collective accommodations do not have a star category (except for 2 three-star and one two-star hotels), not all facilities are certified accommodations. So many tourist accommodation facilities need to be renewed or reconstructed. A relatively low percentage of rooms with all conveniences shows that the

Table 1. Dynamics of the incoming tourist flow in the Vologda region, thousand people

Indicators	1997	2005	2006	2007	2007 to 1997, times
Total number of visitors	310	1045	1100	1164	3.7
Among them:					
tourists	180	316	320	340	1.9
sightseer	130	729	780	824	6.3

local collective means of accommodation are not sufficient to ensure global standards of servicing tourists.

In addition, when Vologda and Cherepovets hold such large-scale tourism event activities, such as the exhibitions "Russian Forest", "Russian Flax" and "Gates to the North", the festival "Voices of History", the Gavrilin International Music Festival, sporting events in of Cherepovets, there is the problem of shortage of hotels.

The system of public catering also does not meet modern international standards of servicing tourists. In the Vologda region it is represented by different restaurants, bars, cafes and canteens, fast food and self-service stands. The problem is that a relatively small number of enterprises in this sector can serve groups of tourists, providing the quality of services at a reasonable price.

However, the major problems are the lack of adequate infrastructure of roadside service, the lack of proper services, lack of hygiene and sanitation and many others.

The desire of a tourist to visit places of interest, even in the remote corners of the region, depends on how his travel to the point of destination will be nice and comfortable. *A poor transport infrastructure and limited accessibility* hinder the realization of tourist products to remote tourist facilities, located in Veliky Ustyug, Beloozero and others (table 2).

Another problem is *the underdevelopment of the entertainment industry*. The greatest number of spectacular entertainment facilities is located

in Vologda and Cherepovets. In the region there are a lot of different activities in the field of sports and recreation. But most of them are not of interest to tourists because of the low level of organization, moral and physical wear of equipment (including sports), a number of other factors.

Cultural and informative component has precedence over spectacular and entertaining one that significantly reduces the overall performance of the tourism industry sector. Creation of the entertainment industry as well as hotel facilities and catering should be a priority investment area in the tourism sector.

Training and professional level of staff, serving tourists, does not correspond to the modern requirements. Lack of practical and theoretical knowledge, a low level of training of personnel involved in the tourism sector, has a negative impact on tourist flow.

Recently the problem of training in tourism sector has already solved. Tourism specialties have been established in the Vologda State Technical University, the Vologda and Cherepovets Pedagogical Universities, Teachers College in Veliky Ustyug and Cultural school in Kirillov, training courses for guides were also resumed.

In addition there are other problems in tourism sector which are to be solved. These are *poor quality and monotonous tourist products* (the same tours are often offered, which differ only in sights, alternatives of leisure in the event of a change of weather conditions or other circumstances are not thought over, etc.), *the absence of*

Table 2. Problems in the transport sector of the Vologda region

Mode of transport	Problem
Surface	Inadequate road network Lack of roadside service The low level of comfort of the bus fleet The poor condition of rolling stock The poor condition of railway stations The lack of station service
Water	The lack of modern water berths for safe reception of tourists The poor coastal infrastructure The poor inland river transport The high degree of worn-out ships, lack of funds for the purchase of new modern ships
Air	Unsatisfactory condition of runways

a clear tourist attraction positioning in the Vologda region (it is information on the uniqueness of tourist attractions, on the favorable environment, the recreational opportunities in the region that have to attract potential tourists).

One of the major trends in the tourism development in Russia is increasing competition in the market of the tourism offer as a consequence of the emergence of an increasing number of regions with extensive ambitious plans to attract tourists. As a result the tourist regions must strive not only to maintain but also strengthen their position on the tourism market through the planning of tourist activities, which provides long-term investments in tourism, a clear regional strategy. Accordingly, the role of regional policies for tourism development as well as target promotion of certain tourist destinations on the external and internal markets increases in general.

The strategic aim of developing the tourism sector of the Vologda region economy is **a creation of a competitive tourist complex that provides**, on the one hand, opportunities to meet the needs in tourism of the population of the region, Russian and foreign citizens, but on the other, contribution to the development of the region's economy through the influx of money, tax revenues in the budget, the increas-

ing of jobs and **the preservation and rational use of cultural, historical, natural and recreational potential of the Vologda region.**

The key-points for the future are:

- ▶ promotion of tourist products in the national tourist market;

- ▶ formation of a new tourist product that goes beyond the traditional understanding of the possible offers of the Vologda region;

- ▶ expansion of opportunities for investments in tourism infrastructure;

- ▶ training and improvement of professional skills of personnel servicing tourists.

To create an effective and competitive tourism industry we must use all the strengths and potential of the region (*table 3*) which will be the start up of strategic scenarios for the tourism development.

The implementation of these scenarios, the active promotion of the tourist products on the market is impossible without an integrated management system that meets modern requirements of rapid development. In order to effectively manage the tourism activities in the region it is necessary to develop organizational and managerial mechanisms, such as a program-targeted management, collaboration with private business, organization of monitoring systems, etc.

Table 3. The analysis of the tourism sector in the Vologda region

<p style="text-align: center;">STRENGTHS</p> <ul style="list-style-type: none"> ▪ Existence of the unique monuments of history and culture ▪ Proximity to Moscow and St. Petersburg ▪ Convenient transportation ▪ Strong cultural and historical traditions ▪ Vologda traditional crafts (weaving lace, the Northern niello, Shemogodsk bark carving, etc.) ▪ Quality food products (milk and dairy products, butter, meat), including brand products (Vologda butter) ▪ A wide spectrum of tourism activities in the region 	<p style="text-align: center;">WEAKNESSES</p> <ul style="list-style-type: none"> ▪ Inadequate training of personnel in tourism sector ▪ Lack of CEB during mass events, exhibitions, etc. ▪ Low service quality of tourist infrastructure ▪ Lack of development of the entertainment industry ▪ Poor condition of road network (the lack of paved roads) ▪ Lack of advertising and information support for promotion of regional tourism product in the domestic and foreign markets
<p style="text-align: center;">OPPORTUNITIES</p> <ul style="list-style-type: none"> ▪ Inclusion of tourism facilities of the Vologda region in catalogs of travel agencies from other regions ▪ Increasing sales of brand and souvenir goods of the Vologda region ▪ Increased income levels ▪ State support for investors ▪ Work with additional consumer groups ▪ Confidence in competitive regions 	<p style="text-align: center;">THREATS</p> <ul style="list-style-type: none"> ▪ Loss of tourist market due to low level service ▪ Competition from other tourist centers in Russia, as well as from near and far abroad ▪ The destruction of historical and cultural monuments because of the insufficient measures for their maintenance ▪ Destruction of lock system of the Volga-Baltic Canal

Program-targeted approach. The approach in the management involves the adoption and implementation of target programs aimed at implementing key strategic priorities.

Politics in the tourism sector of the Vologda region was implemented in accordance with the concept of tourism development in 2002 – 2004. In 2007 "Strategy development of the tourism sector in the Vologda region up to 2020" was approved, in 2008 a long-term target program "Development of domestic and incoming tourism in the Vologda region in 2009 – 2012" was adopted. Its goal is a formation of effective tourism industry in the region, contributing to the socio-economic development of the region due to the increase in tax revenue in the budgets of all levels, as well as preservation and efficient use of natural, recreational, cultural and historic resources.

Whithin the program 200 million rubles are to be allocated in 2009 – 2012 (of which 11 million from the budgets of districts, the rest – from the regional budget), the active cooperation with the constituent territories of the Russian Federation (Petrozavodsk, the Yamalo-Nenets Autonomous District), the opening of new tourist itineraries ("Way Home" in the district of Kharovsk), tourism water

communications (between Vytegra and Petrozavodsk), a theme park "Kingdom of Goldfish" in the district of Vashki.

Almost every district is quite successfully implementing tourism projects (*table 4*).

One of the successful examples is the project "Veliky Ustyug – Homeland of Farther Frost", which has been in force since 1998, and about a billion rubles have been invested in it within 10 years, including about 300 million rubles of private investment. As a part of this project interregional cooperation has received significant development, the program provides many social activities.

In recent years, the international authority of the Vologda region significantly increased. It attracts more and more attention of official and business quarters of the leading countries of the world as a reliable and promising partner for constructive mutually beneficial cooperation:

- ➔ long-term bilateral agreements for direct partnerships, trade, economic and cultural cooperation with the regions of Finland, Sweden, China and other countries are realized;

- ➔ annual exhibitions and festivals are held, such as Interregional tourism trade fair "Gates to the North: tourism, culture, service" (the main goal is the development of domestic and

Table 4. Tourism projects of the Vologda region districts

District	Tourism project
Vologda	"Vologda – Lace capital of Russia"
Cherepovets	"City of Leaders"
District of Tot'ma	"Tot'ma – Russian City of Columbus"
District of Tarnoga	"Honey Tarnoga"
District of Kirillov	"The Holy Land of Russia"
District of Belozersk	"Belozersk – Epic City of Russia"
District of Vytegra	"Marine Glory of the Vologda region"
District of Vashki	"Lipin Bor – Kingdom of Goldfish"
District of Sheksna	"Siz'ma – Original Corner of the Vologda region"
District of Gryazovets	"Milky Village"
District of Ust'-Kubinskoye	"Traditions of Boating Skills"
District of Nyuksenitsa	"Treasures of Folk Traditions"
District of Verkhovazh'ye	"Following the Lomonosov's way"
District of Ustyuzhna	"Ustyuzhna – City of Blacksmiths"
District of Vologda	"Vologda Butter"

incoming tourism); Interregional New Year and Christmas souvenirs trade fair (the goal is the enlargement of existing and creation of a new range of souvenirs); Interregional festival of arts "Beloozero" (a visiting card of Belozersk and a part of the tourism program).

Improvement of interaction with private business. The major share of tourism services provision in the Vologda region belongs to small businesses (93,4%). They are tour operators and travel agencies, and other business structures that are the foundation of the tourism industry (catering, accommodation, entertainment, transportation component, etc.).

Sociological survey, carried out by Vologda scientific and coordination center CEMI RAS, showed that more than 61,8% of residents consider the Vologda region to be an attractive tourism sector to invest their own funds. Thus, the role of small and medium-sized businesses in this area will only increase.

A constraint factor of the tourism industry development is the fragmentation of all the

small and medium-sized business participants, as well as a number of problems (*table 5*).

According to the survey, to resolve the problems existing in the hotels and tour agencies, the Government should render the following assistance:

- to allow tax benefits;
- to give a guarantee in making credits and loans;
- to put travel agencies in regional projects to promote tourism.

At present, the impact of interaction between the Government of the Vologda region and the sphere of tourism managers of hotels evaluated at only 3,6 points (on a 10 points scale), and managers of travel agencies did it at 4,8 points, that indicates a lack of interaction between enterprises and authorities.

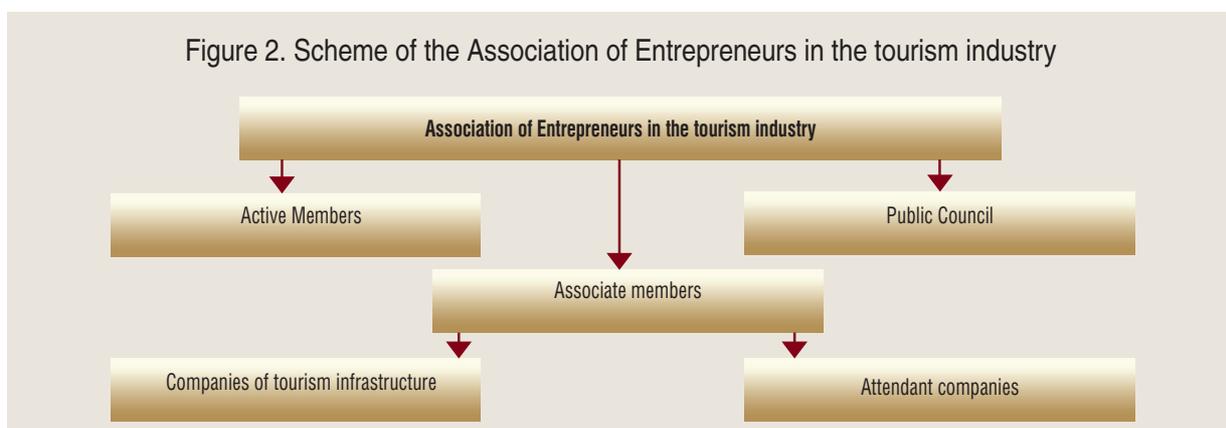
One of the mechanisms to improve interaction between government and small businesses in the tourism sector is the creation of the Association of Entrepreneurs in the tourism industry (*fig. 2*).

Table 5. Problems in the hotel sector and travel agencies (according to the survey, % of respondents)

Problem	Hotel sector	Travel agencies
The high cost of utilities and power	83	-
The lack of qualified personnel	50	29
High levels of taxation	33	59
Unfair competition	-	53

*The survey was carried out by Vologda scientific and coordination center CEMI RAS. Special questionnaires including closed and open questions were given to managers of tourism enterprises. The sample consisted of 7 hotels and 20 travel agencies that meet the requirements of a survey representativeness. The proportion of returned questionnaires in their overall number was 85.7% (hotels) and 85% (travel agencies).

Figure 2. Scheme of the Association of Entrepreneurs in the tourism industry



The association forms the economic field, which implements policies for tourism development in the region, including government and business organizations, as well as the public. It is necessary to clearly designate those people who are interested in improving the functioning of the tourism industry.

The Vologda region has experience in the creation of associations of tourism. Founded in 1998, a non-profit partnership «Cherepovets tourism association» debuted as a union of tourism industry enterprises and brought together all the participants and became one of the main levers of the tourism development in the city of metallurgists.

Formation of interaction between state and business structures will significantly enhance the region's competitiveness in the market of tourism and recreational services and this will lead primarily to increasing flow of tourists and increase the overall load of the tourism industry.

Organization of tourist industry monitoring. In order to obtain accurate, timely and objective information about the processes occurring in the region's tourism industry, it is necessary to carry out its monitoring studies on a regular basis (once a year). This, in turn, will provide

a more thorough approach to the creation of policy papers, the prediction of development of the sector for short, medium and long term, the development of appropriate recommendations and actions.

Thus, the effective management will help to reinforce positive trends in tourism of the Vologda region. Sustainable development of the industry in future will be realized in a number of directions that will allow to maximize tourism potential. The main directions are:

- ↻ promotion of the Vologda region image on the national and international tourism markets as favorable places for tourists;
- ↻ development of new routes for tourists in the region and implementation of tourist projects in the districts;
- ↻ promotion of the further development of public-private partnership in the tourism sector;
- ↻ improvements in training personnel for the tourism industry.

Taking into account the wide range of economic areas, where tourism serves as a catalyst for development, it is true to designate tourism as "another point of economic growth" in the region.

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Strategical approach to management of tourism in municipal district of Republic of Karelia

The article deals with the questions of tourism management on the municipal level in Republic of Karelia with Pryazhenskiy National Municipal District as an example.

Tourism management, tourism business, municipalities, tourist-recreation potential, municipal programs, tourist-recreation area, effectiveness.



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Current market reforms and geopolitical changes in the country have caused considerable transformation of the management process of the regional development. New opportunities of the regional authorities have been followed by the appearance of new social-economic problems. The barest necessity of regional management of social-economic development appeared under such new circumstances. Since the 1990s of the XXth century up till now the system of the land-use strategic planning has been functioning and improving for this purpose in Republic of Karelia. Within the framework of the system there is a whole complex of interconnected and mutually complementary systematic documents [5].

According to the objective stated in the Concept of social-economic development of

Republic of Karelia till 2012 tourism development is to stimulate the realization of the following trends:

1. Formation of the most favourable image of the republic in the international market.
2. Creation of a modern tourist-recreation complex.
3. Increasing of the investment appeal of the region [1].

The Strategy of the regional development of the republic was stated in the network of the Concept of social-economic development of Republic of Karelia. The Strategy of tourism development is worked out and realized in the region in order to specify the ways of tourism development, means of their implementation and consequently more effective management of the economic sphere. The Strategy of tour-

ism development 2000 – 2006 had been carried out by 2006, nowadays the next Strategy of tourism development 2007 – 2010 is being implemented. The republican target programs of tourism development are worked out and realized on the basis of the main strategic documents. The programs stipulate detailed elaboration of tasks and measures for the relevant period as well as resources and organizational support while implementing them.

Thus, choosing tourism as a priority guideline of social-economic development of Republic of Karelia and including it in the main strategic document were a new step in the development of tourism business in the region. On the republican level authorities, business, society reconsider the role of tourism in the economic life of the region. Nowadays tourism positions itself as a prospective, effectively developing branch of business which can speed up social-economic processes in the region and demands different approaches to the management of its development from the side of local authorities [2, 6].

At present tourism sector development in Pryazhenskiy National Municipal District of Republic of Karelia¹ is considered as one of the most prospective guidelines of social-economic development of the area.

One can single out the following factors which determine the guideline in question:

- ◆ beneficial economic-geographical location;
- ◆ favourable environmental situation;
- ◆ developed hydrographic system;
- ◆ underdevelopment of agricultural areas;
- ◆ existing cultural traditions etc.

The region participation in various special-purpose tourist exhibitions and fairs and international projects contributes to tourism development on the territory of the municipality [4].

While elaborating the General Scheme of the Distribution of Tourist Objects in Republic of Karelia¹ they took into consideration the concept of a tourist area and included the territory of Pryazhenskiy National Municipal

District to the "central" tourist area. The following criteria were chosen as the main ones while zoning the territories of the municipalities which were included to the tourist area:

- developed infrastructure (transport and so on);
- high density of tourist objects;
- views (nature, landscape);
- tourist potential (marketing and prognosis of financial result);
- investors' interest [3].

It is necessary to mention when they were developing the Scheme of Land-Use Planning of Pryazhenskiy National Municipal District till 2030 the above-stated criteria were used as the main ones while creating the municipal recreation areas such as "Vedlozerye", "Syamozerye" and "The Shuya Middle Course"².

In connection with the fact that there were no registered tourist economic management subjects in the municipal tourist recreation areas there was a decision to develop the management structure in two stages.

The former one is the organization of the offices of tourist enterprises of Republic of Karelia, Saint-Petersburg, Moscow (no less than two) on the territory of Pryazhenskiy National Municipal District and of economic management subjects providing tourist-excursion services on the basis of cultural and educational institutions, forestry and agriculture.

The latter stage is the organization of the municipal tourist information center by the municipal authorities, regional tourist agencies, enterprises and organizations concerned. Alongside with economic management the tourist information center will ensure the creation of the electronic database of the tourist areas' potential, the collection of information for publishing reference books and guidebooks.

Tourist areas development is closely connected with social-economic development of the rural settlements of the municipality and is aimed at activation of such economic spheres as tourist and entertainment sector, commerce, transport, souvenirs and agricultural production.

Coordination and cooperation of republican, municipal and settlement authorities and leading tour operators of Karelia, St.-Petersburg, Moscow and economic management subjects will allow:

- ▶ to create a great variety of competitive tourist produce and services;
- ▶ to create employment in the sector of tourist infrastructure;
- ▶ to revive culture, traditions, handicrafts of the native peoples of Karelia;
- ▶ to mobilize investment in order to develop modern tourist infrastructure;
- ▶ to increase payments to the municipal and rural settlements budgets;
- ▶ to involve in the economy the areas which are not put into economic operation but have recreation value.

For tourist-recreation area "Vedlozerye" they have chosen the territory of Vedlozersk Rural Settlement which is in the west of Pryazhenskiy National Municipal District and borders on Olonetsk, Pitkyarantsk and Suoyarvsk Municipal Districts. It is within the distance of 50 km from urban settlement Pryazha and 100 km from the city of Petrozavodsk.

The centers of tourist activity in tourist-recreation area "Vedlozerye" are: "Kinerma" and "Tulmozero".

Due to unique historic-cultural heritage and natural potential they observe favourable conditions for tourism sector development in tourist-recreation area «Vedlozerye» with predictable economic activities in *table 1*.

The most important objects of tourist infrastructure in the area which need investing are: reconstruction of the highway section, building

of petrol stations, a hotel and a tourist camp, a handicraft center.

The second tourist-recreation area in Pryazhenskiy National Municipal District includes historic-cultural area "Syamozerye". The centers of tourist activity in tourist-recreation area "Syamozerye" are "Korzinskaya", "Tsentralnaya"/"Central", "Vostochnaya"/"Eastern".

Predictable economic activities of development of tourist-recreation area "Syamozerye" are presented in *table 2*.

Tourist-recreation area "The Shuya Middle Course" stretches along the Shuya riverbed on the territories of urban settlement Pryazha and rural settlement Matrosy along the Shuya riverbed. The tourist-recreation area gained popularity among tourists due to holding such events as:

- ♦ Russian Acrobatic Freestyle on Rapids Championship;
- ♦ Russian Water Tourism Championship;
- ♦ Russian Rafting Junior Championship;
- ♦ Republican rural folklore humour festivals (People's humour festival in the open air).

Table 3 presents predictable economic activities of the area development.

For further development of tourism sector in tourist-recreation area "The Shuya Middle Course" in Pryazhenskiy National Municipal District it is necessary to establish the following modern objects of tourist infrastructure:

- special departments on the basis of higher and specialized secondary education institutions for training and professional development of personnel for the tourism business of Republic of Karelia;

Table 1. Predictable economic activities of development of tourist-recreation area «Vedlozerye»

Description of activity	2010	2015	2030
Number of tourists and excursionists, thousands per year	4	5	8
Number of new jobs	5	10	10
Number of enterprises (organizations) dealing with tourism	1	2	2
Number of tourist establishments	5	10	10

* Predictable economic activities are performed by the authors while working out The Scheme of Land-Use Planning of Pryazhenskiy National Municipal District till 2030.

Table 2. Predictable economic activities of development of tourist-recreation area "Syamozerye"

Description of activity	2010	2015	2030
Number of tourists and excursionists, thousands per year	5	6	10
Number of new jobs	10	10	5
Number of enterprises (organizations) dealing with tourism	1	2	2
Number of tourist establishments	10	10	5

* Predictable economic activities are performed by the authors while working out The Scheme of Land-Use Planning of Pryazhenskiy National Municipal District till 2030.

Table 3. Predictable economic activities of development of tourist-recreation area "The Shuya Middle Course"

Description of activity	2010	2015	2030
Number of tourists and excursionists, thousands per year	5	7	10
Number of new jobs	10	10	10
Number of enterprises (organizations) dealing with tourism	1	1	1
Number of tourist establishments	5	5	5

* Predictable economic activities are performed by the authors while working out The Scheme of Land-Use Planning of Pryazhenskiy National Municipal District till 2030.

- health resort clinic and medical holiday home in rural settlement Matrosy with attracting specialists from the republican hospital named after V.A. Baranov;

- military-memorial complex for the dead in Great Patriotic War (the village of Kindasovo).

While choosing ground areas to locate tourist objects in Pryazhenskiy National Municipal District the following demands were met:

- ↗ close proximity to key tourist objects and preferential proximity to water bodies;

- ↗ transport accessibility and access conditions as satisfactory as possible;

- ↗ available area and possibility to build and place a complex of tourist and services infrastructure;

- ↗ absence of or minimum restrictions to economic management of the area (land use conditions);

- ↗ favourable environmental situation and beautiful landscape;

- ↗ possibility to integrate the tourist objects and the objects of infrastructure [8].

Management of tourism development process demands elaboration of the system of strategic documents on the municipal level. The program "Tourism Development in Pryazhenskiy

National Municipal District 2008 – 2010" was purposely worked out (with the participation of the authors)³. The program comprises the most urgent trends of tourism sector development in the municipal district and measures of their implementation in order to create management-organising and economic situation favourable for further tourism development.

The realization of the municipal program of tourism development in 2008 – 2010 is mainly aimed at creation of modern competitive tourist sector as one of the guidelines of the area specialization [14]. To reach the goal the following program objectives were singled out:

- arranging conditions to revive, develop and open up new tourist-recreation resources in the municipal district;

- making the most efficient use of natural and cultural heritage of the district;

- improving the system of training, retraining and professional development of personnel in the tourist sector;

- involving local people to the process of organizing tourist services in the district, handicrafts development, creation of new jobs;

- organizing and holding national holidays, folk festivals, exhibitions, fairs and other events which attract tourists to the region;

- developing competitive municipal tourist produce which creates a positive image and recognizability of Pryazhenskiy National Municipal District in the international, national and regional markets;

- promoting competitive advantages of municipal tourist services at the expense of improving quality of service, safety of tourists and information support on the tourist routes according to the international standards;

- supporting business development and first of all small and medium size enterprises in the tourist sector;

- assisting tourism infrastructure development by means of attracting Russian and foreign investors to reconstruct, improve and create new tourist produce and objects;

- increasing payments to the budgets of every level.

The implementation of the municipal program «Tourism Development in Pryazhenskiy National Municipal District 2008 – 2010» is divided into two stages from the organizational point of view:

1. Analytical and preparatory stage (the first half of 2008).

2. Stage of taking measures described in the program (the second half of 2008 – 2010).

The first stage is aimed at information and marketing support while realizing the program steps and at arrangement of conditions for attracting investments to the tourist sector. This presupposes such measures as:

- ➔ analysis of the results reached in the tourist sector in 2005 – 2007;

- ➔ preparation and beginning of the realization of the system of program steps;

- ➔ analysis of interim results;

- ➔ adjustment of the system of program steps of the second stage.

Within the bounds of implementation of the second stage the following measures are planned:

- ➔ attraction of investments and building of infrastructure objects;

- ➔ training and professional development of personnel in the tourist sector;

- ➔ involvement of the local population in tourist business.

The main result of the municipal program "Tourism Development in Pryazhenskiy National Municipal District 2008 – 2010" is provision of the circumstances for gradual formation of the modern tourist complex which can attract a steady tourist drift into the district, increase of tax proceeds, retail turnover, investment into the basic production assets, self-employment of the population, maintenance and efficient usage of cultural-historic and natural heritage of the region. The financing of the municipal program will be carried out at the expense of the following sources:

- cash means from the republican budget, including the means assigned on the competitive basis as centralized investment resources – 7 000 roubles;

- means from the municipal budget of Pryazhenskiy District, budgets of rural settlements which are concentrated at the realization of the main steps of the program – 204 000 roubles;

- off-budget means, coming from the establishments of the tourist sector, loans, various funds and social organizations, private home and foreign investors, targeted profits tax from organizations interested in tourism development (on a voluntary and contractual basis) – 45 156 roubles.

To characterize the effectiveness of tourism development in Pryazhenskiy National Municipal District they used the factors of economic and social results.

To estimate economic effectiveness after the realization of investment projects on creation and development of the tourist-recreation complex in the republic they used the following design data:

1. An average cost of residence of 1 tourist taking into account his/ her placement with full or half board and lodging and use of extras is 2 000 roubles per day.

2. An average length of stay in the republic is 3-4 days.

3. Investment rate in the projects of the tourism sector in the region is estimated in terms of the list of infrastructure objects which are supposed to be built and their estimated cost.

As the factors of the effectiveness of the investment projects in the tourism sector they chose:

- ♦ to estimate economic effectiveness – net effective discount income (roubles), profitability index and income-expense ratio;

- ♦ to estimate budget effectiveness – consolidated sum of tax revenue to the budgets of all levels while implementing the projects in the tourist sector;

- ♦ to estimate social effectiveness – number of new jobs created in the tourist infrastructure and an average wage rate [7].

Economic results of carrying out the program measures should promote investments to the tourist infrastructure, develop the territories and objects of tourist interest, new tourist produce. The increase of tourist drift to the municipal district will rise direct and indirect revenues from tourism, create favourable conditions for business development in tourism sector as well as in related sectors of economy and in services sector. Calculated economic result after implementation of the program comprises the following factors:

- ⇒ development of the area infrastructure, increase of the number of the functioning placement objects: from 29 in 2007 to 35 by 2010;

- ⇒ increase of tourist drifts one and a half times as much by 2010;

- ⇒ tax revenue and due to the budget from the tourist sector while the program is operating: 2007 – 211 000 roubles, by 2010 – 650 000 roubles;

- ⇒ increase of off-budget spending sights to tourism infrastructure 5 times as much⁴.

The majority of the suggested projects mean the construction of tourist, transport, engineer and subsidiary infrastructure, aimed at creation of modern competitive tourist sector in Pryazhenskiy National Municipal District. The implementation of the project on the tourist infrastructure development will create the conditions for diversification of Pryazhenskiy National Municipal District economy with strengthening services sector.

As the factors of social result of the program implementation one can enumerate:

- ➔ increasing self-employment of the population and developing alternative occupations;

- ➔ creating conditions to develop services sector in the district;

- ➔ diversification of tourist services market and improvement of the quality of tourist services;

- ➔ cultural and moral education of the population and the guests of the district with the help of developing various kinds of tourism;

- ➔ maintaining and efficient using the natural and socio-cultural heritage of the most important tourist-recreation resources and traditional way of life of the local population.

It is necessary to emphasize that the main social result of tourism development in the district is business development and creation of self-employment. At the same time they observe maintenance of national traditions, culture and traditional way of life of the local population that gain currency under the circumstances of a difficult demographic situation and the drift of the population away from rural areas [3].

Thus, management of the process of tourism development on the territories of certain municipalities is a prospective trend of social-economic development of the particular areas and the ones in Republic of Karelia on the whole. It can stabilize economic situation, soften social problems, become a real factor of maintenance, reproduction of the natural and cultural-historic potential of the areas.

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Notes

¹The General Scheme of the Distribution of Tourist Objects and Tourist Infrastructure in Republic of Karelia as part of the Scheme of Land-Use Planning in the Republic of Karelia. St.-Petersburg, 2007.

²Developers: the Institute of Economics Karelia SC RAS (with the authors' assistance) and Shtrikh Ltd.

³Municipal program "Tourism Development in Pryazhenskiy National Municipal District 2008 – 2010" (validated by the decree № 34 of June 10, 2008 at the 21th session of the 1st convocation the Council of Pryazhenskiy National Municipal District).

⁴According to the survey 2008 there are the following activities in Pryazhenskiy National Municipal District: 30 Karelian tourist firms are functioning, 125 new jobs are created in tourist business; 2 guest houses are launched, about 100 new placements are created on the territory of the region; the web page about tourist development is created on the official site of the Administration of Pryazhenskiy National Municipal District and it is constantly being renewed; about 47 000 000 roubles of off-budget investments are attracted.

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Tourism development in the rural suburban area

The article presents the results of the assessments of the tourism potential in Vologda Municipal District: the assessment of the tourism sector; its influence on the social-economic development of the municipality; the ways to make the usage of the tourism potential more effective.

Rural suburban area, municipal board, tourism potential, strategy and program of tourism development.



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According to Federal Law №131 "About general principles of organization of local government in The Russian Federation"¹ municipal districts acquire more independence to make administrative decisions. It also concerns the assessment of the prospective development trends of their social-economic progress, tourism is one of the most intensively developing economic sectors among them.

In August 2008 at the meeting with the mayors of the Golden Ring cities the RF President D.A. Medvedev noted the necessity to stimulate domestic tourism development, emphasizing the importance of the distribution of authorities between federal, regional and municipal district powers [2].

Taking into consideration the new economic and social circumstances the development of the sector in question can stabilize economic situation, moderate social problems, become

a real factor of maintaining, reproduction and using the natural and cultural-historical potential both at the level of the RF region and a municipal district.

The effectiveness of tourism development depends not only on the unique cultural heritage of a municipal district but on its geographical proximity to a city.

One of the most prospective tourism destinations² in Vologda Oblast is Vologda Municipal District. It has a great variety of tourist places and is in the close proximity to the oblast center – Vologda.

According to 2007 official totals assessing tourist attendance Vologda Municipal District ranked 11th among the other oblast districts (*tab. 1*). At the same time the assessments of the city population of Vologda and Cherepovets in relation to the tourist resources of the district are higher. The results of the public inquiry

organized by VSCC CEMI RAS in June 2007 show that Vologda Municipal District ranked 6th among the 10 most attractive for development of the domestic tourism districts.

The reasons for the tourist attractiveness of Vologda Municipal District are:

- Historic-cultural sights, ancient wooden architecture and monuments (The Museum of Architecture and Ethnography in Semyonkovo, The Andreyev-Rezanov Estate with parks and pools in Kurkino, The A. F. Mozhayskiy Museum and etc.);

- Beneficial geographical location (close proximity to oblast administrative center Vologda);

- Developed transport infrastructure (federal and local highways, railways and waterways, airlines);

- Various events ("Kubenskoye Trade Fair", "Horse Holiday", "Youth Household" etc.);

- Beneficial environmental situation.

Everything mentioned above creates a favourable situation for the development of the tourist attractiveness. According to the data of the inquiry of the directors of The Vologda Administration departments, the government specialists and the heads of the Vologda District Rural Settlements³ the most popular kinds of tourism nowadays are event tourism (100% of respondents), pilgrim tourism (71%), health-improving tourism (57%), sports tourism (57%).

The main condition for tourism development is the presence of the tourist resources but their distribution on the territory of the district is rather uneven. Correspondingly there are rural settlements with high, medium and low levels of tourism development (*fig. 1*).

One can see that the tourist sector is highly developed in Oktyabrskiy, Kubenskoye, Spasskoye, Sosnovka Rural Settlements (they are referred to the group "High level of tourism development"). These areas have the highest

Table 1. Distribution of tourist streams in Vologda Oblast towns and districts*, thousands of people

Rank	Districts and towns	2006	2007	200 as compared with 2006, %
1	Kirillov District	264,0	266,0	101
2	Vologda	214,9	218,0	102
3	Cherepovets	189,5	192,0	101
4	Velikiy Ustuyg District	132,0	165,0	125
5	Sheksna District	45,0	49,9	111
6	Cherepovets District	37,7	38,8	129
7	Belozersk District	30,3	38,4	127
8	Totma District	31,2	33,2	106
9	Vytegra District	23,1	27,3	118
10	Ustye-Kubinskoye District	20,9	21,9	105
11	Vologda District	19,1	21,1	105
12	Nyuksenitsa District	16,8	18,5	110
13	Ustyuzhna District	16,7	18,0	108
14	Sokol District	10,4	12,0	115
15	Gryazovets District	6,3	8,9	141
16	Tarnoga District	4,7	5,2	111
17	Babushkino District	4,5	5,1	113
18	Vashki District	0,3	5,1	17 times as many
19	Kharovsk District	6,0	5,0	83
20	Nickolsk District	4,0	4,9	123
21	others	27,8	12,1	43
	Total	1,104,0	1,164,0	105

*The data from the oblast municipal districts.

Source: Strategy of the tourism sphere development in Vologda Oblast till 2020: Decree of The Vologda Oblast Government № 1547 of August 11, 2008. Available at: <http://vologdatourinfo.ru/legislation/>.

tourist activity due to their close proximity to Vologda.

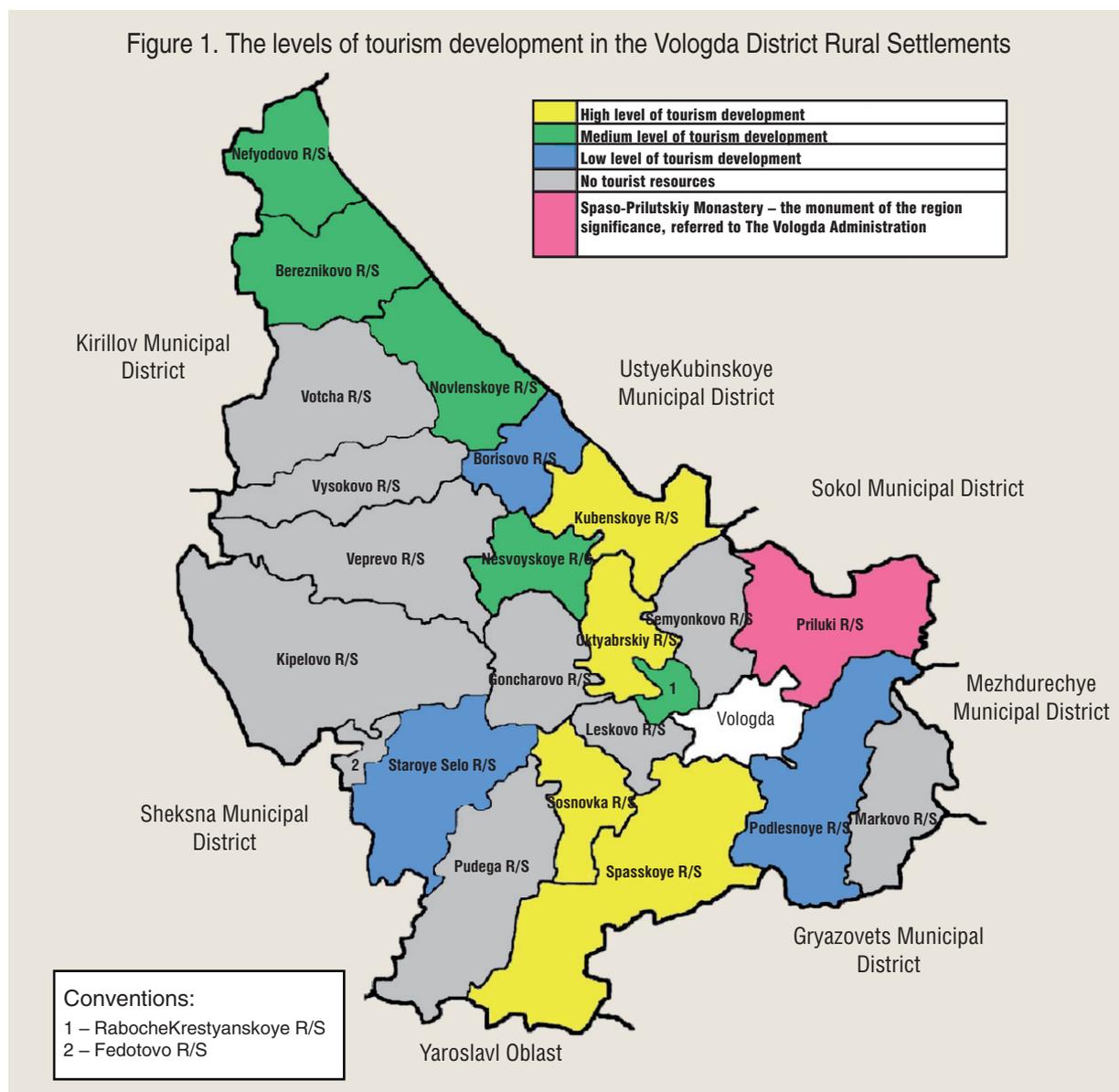
Vologda is a rather big tourist center, its part in the oblast general tourist stream is 18,2%⁴. Correspondingly the rural settlements belonging to the group «High level of tourism development» can be well included to the main tourist routs of the town itself and to the neighbouring districts of the oblast.

Other rural settlements of the district ether do not use the tourist potential to a full extent or do not possess enough information about the tourist resources (Votcha, Kipelovo Rural Settlements and others).

On the whole tourism has a rather great influence on the social-economic development of the municipality (*tab. 2*). Taking into consideration the existing tourist resources, the variety of the kinds of tourism one can say this sector is likely to become one of the "points of increase" in the economy of Vologda District.

In spite of the potential possibilities tourism development in Vologda District is restrained by:

- Insufficient information about the district and its tourist attractions in the external market;
- High competitiveness on behalf of other tourist centers of Vologda Oblast.



Besides, about 80% of the interrogated representatives of the administration and the heads of the Vologda District rural settlements named the underdevelopment of the tourist infrastructure and poor service to be the reasons that prevent the tourist flow. Every second expert mentioned that the absence of an accurate program of the sector in question prevents it from effective functioning. One third of the respondents consider that the tourist resources of the district are unknown in the external market and there is lack of tourist produces of international standards as well.

Under the condition of thorough planning and reasonable management tourism is going to develop steadily not damaging the destination.

Taking into consideration strong points and potential opportunities of the tourism sector (*tab. 3*) it should be noted that the strategic status of its future development seems to be in the organization of the diverse kinds of tourist rest in order to give the maximum satisfaction of staying at the place. So the mission of the district can be defined as: Vologda District – rest for everyone.

The priority in tourism development of the municipality is set to the creation of auspicious conditions for a man to have a rest. Within the

bounds of the above-stated mission the strategic aim of tourism development in Vologda District is the following: to create modern, effective and competitive tourist complex that is going to satisfy the requirements of the oblast population, the neighbouring regions and foreign tourists and to develop a tourism sector as one of the prospective economic spheres in the municipality.

As for the target guidelines in the near- and medium-term outlooks it is necessary to concentrate on:

- ➔ the promotion of the district as a tourist center on the national tourism market;
- ➔ the enhancement of the opportunities to invest into the tourist infrastructure of the district;
- ➔ training and improvement of professional skills of the personnel in the tourist services sector;
- ➔ the involvement of the local population in tourism development.

The effectiveness of the realization of the strategic aim greatly depends on the management system in the tourism sector: it is necessary to develop management-organizational mechanisms in order to increase the results of using the tourist potential of the district.

Table 2. The influence of tourism on the social-economic development of the municipality

Positive influence	Negative influence
<i>On social development</i>	
<ul style="list-style-type: none"> ✓ Improvement of the architectural-artistic appearance of the municipality. ✓ Rise of cultural education of the municipality native population, cultural networking with the bearers of different cultures. ✓ Development of service enterprises aimed both at the tourists and at the local population (cinemas, restaurants, consumer services, trade etc.). 	<ul style="list-style-type: none"> ✓ Heightened interest/ indifference of the local population to the tourist attractions in the municipality. ✓ Deterioration of the problems connected with drug abuse, alcohol addiction, crime, prostitution.
<i>On economic development</i>	
<ul style="list-style-type: none"> ✓ Tourism is a source of development of other economy branches somehow connected with the tourist service sector and of additional employment opportunities. ✓ Tourism is a source of currency that is why it directly effects the external payments position. ✓ Tourism encourages local population, authorities and all the districts to earn extra incomes. ✓ Tourism creates extra demand for various goods and services. ✓ The demand for souvenirs and local handicraft produces considerably increases. 	<ul style="list-style-type: none"> ✓ Tourist streams have seasonal character, it considerably effects the profitability of the tourist enterprises. ✓ The demand for tourist services can intensify the rate of inflation concerning certain goods and services that can cause the rise of the cost of living in the municipality.

Table 3. SWOT analysis of the development of the tourism sector in Vologda District

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> • Beneficial geographical location (close proximity to Moscow, Saint Petersburg and oblast administrative center Vologda). • A number of significant historic-cultural sights, ancient wooden architecture and monuments. • Holding of the oblast and inter-regional exhibitions, fairs, festivals, competitions. • Virgin landscapes and natural monuments. • Medical health-improving complex including diagnostic and therapeutic basis of Sanatorium «Noviy Istochnik». • The Museum of Architecture and Ethnography in Semyonkovo. • Relatively beneficial environmental situation in the district. 	<ul style="list-style-type: none"> • Underdevelopment of the tourist infrastructure and poor service. • Absence of an accurate program of development. • Low level of usage of the tourist potential. • Insufficient publicity of the district and its tourist brands in the tourist service market. • Lack of tourist produces of international standards. • Absence of complex tours that can connect the district destinations with the tourist centers of Vologda Oblast. • Obvious seasonal character of the majority of the tourist attractions. • Lack of experienced tourist personnel. • Local population lacks information about the tourist potential of the district.
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Including Vologda District into the group of innovative attractive tourism areas in Vologda Oblast. • The Vologda Government support of the prospective trends of tourism development in the district. • The possibility of increasing of the tourist flows from Moscow, Saint Petersburg, Vologda and Vologda Oblast due to the joint tourist produces. • Including tourist attractions of Vologda District into tourist agencies catalogues of other regions. • Arousing foreign tourists' interest in ecotourism and farm tourism. 	<ul style="list-style-type: none"> • Deterioration of the criminogenic situation. • Competitive advantage of Vologda and other tourist centers of Vologda Oblast. • Deterioration of the environmental situation. • Causing damage to historic-cultural monuments as a result of inadequate measures to preserve them. • Loss of tourism market owing to the low level of tourist service and lack of information about the district.

Firstly, they need to create the program of tourism development. The interest to the program-targeted approach in the tourism sector is heightening every year. The quality of such a program mostly depends on the existing methodological base of such a development. The Federal Tourism Agency (Rostourism) issued Order № 66 of July, 11, 2007 "About adoption of Standard structure of regional (municipal) program of tourism development in The Russian Federation region". According to the order the municipal program of tourism development in the RF region comprises a package of measures to take on the constituent territory of The Russian Federation [4]. Therefore, the above-stated order should be the key one to define the contents of the program of tourism development while creating it.

The development and realization of the complex targeted program can ensure:

► Promotion of Vologda District as a tourist center in national and international tourist markets;

► Improvement of the tourist services sector and suggestion of a tourist produce with improved consumer properties;

► Development of the prospective kinds of tourism in the district;

► Rational usage and effectiveness increase of the investments into the tourism sector of the district etc.

Secondly, for effective tourism development they should create an appropriate governing body operating on two levels – The Administration of Vologda Municipal District and Administrations of Rural Settlements (*fig. 2*). A specialist in tourism development should cooperate with other Vologda Administration departments: The Department of Culture, The Department of Social-Economic Development of Rural Settlements, The Committee on Physical Culture and Sports, The Department of Land Resources, Trade Department, The Department of Protection of Consumers, The Department of Natural Resources, The Department of Environmental Protection etc.

An accurate mechanism of responsibility and supervision should be created to take the tourism development measures in Vologda District successfully. The director of Economic Department of Vologda District supervises the work of a proper specialist. The Committee on Tourism of The Vologda Government can operate as a consultative body which makes certain alterations in the tourism development programs in the district and works out strategic programs.

Thirdly, tourism development on the territory of a municipal district is impossible without mutual understanding between local authorities and population and their involvement into implementation of concrete plans and projects.

Today the results of the inquiries show the citizens of Vologda District are rather indifferent about tourism as a prospective sector of the municipal district economy (71% of

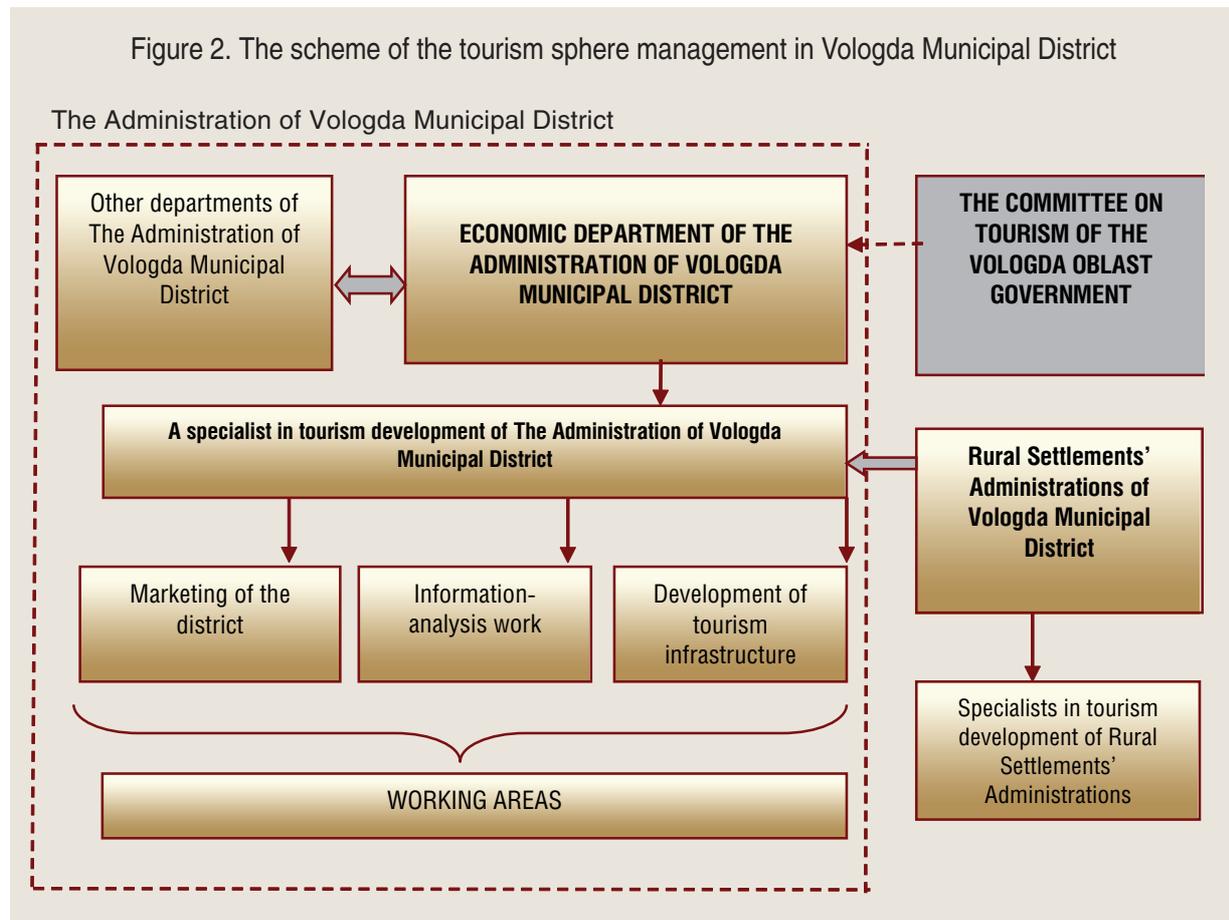
respondents). At the same time every second expert estimates that the local people are ready to participate in activities aimed at tourism development in case they are supported to establish business.

Thus, tourism development in Vologda District demands coordination of measures of The Administration of Vologda Municipal District and the tourist enterprises, complete realization of the tourist resources potential, usage of new approaches in development of the sector in question.

The desired goal of the realization of the competitive advantages in the tourist sector of the municipality which is in immediate proximity to a large town is possible under the conditions of their close mutual relations with each other, with certain economic and social effects as a result.

Economic benefit is seen in the territorial concentration of the tourist resources and tourism

Figure 2. The scheme of the tourism sphere management in Vologda Municipal District



business as a whole: common infrastructure (transport, residence, catering, entertainment and so on), joint tourist routes, projects etc. Social effect of the agglomeration is seen in creation of the necessary prerequisites for improving the life quality of the population (job growth, rise of cultural education and

so on). At the same time the town citizens become the consumers of tourist services on the territory of the rural municipal settlements (for example, while holding various events). In this case two goals are achieved – provision of a good rest and replenishment of the municipal budget.

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Notes

¹ About general principles of local governments organisation in the Russian Federation: Federal Order № 131-FO of October 6, 2003 (amended on November, 8, 2007). Adopted by the RF State Duma on September, 16, 2003, with amendments become operative from January, 1, 2008.

² Tourist destination is a territory with certain boundaries which attracts large groups of tourists and satisfies their needs.

³ 19 experts – the directors of The Vologda Administration departments, the government specialists and the heads of the Vologda District Rural Settlements took part in the inquiry held by VSCC CEMI RAS in July – August, 2008. The goal of the inquiry was to learn the opportunities of tourism development and to assess the effectiveness of the tourism sector in the district.

⁴ Based on the analytical report "The model of tourism sector development in Vologda Oblast", worked out by The Committee on Tourism of The Vologda Oblast Government in 2006.

ACTUAL INFORMATION

Public opinion of the population in NWFD regions about the possibilities of leisure and recreation

In June – July, 2008 Vologda Scientific and Coordinating Centre of CEMI RAS carried out opinion polls to examine life quality of the North-West Federal District population.¹

This material contains district and some of its territories residents satisfaction survey with opportunities to relax, spend holidays.

Table 1. Are you sufficient for opportunities of free time spending? (% of the respondents)

Region	Fully satisfied	Partially satisfied	Not satisfied
Leningrad region	43.1	26.8	29.9
Republic of Karelia	41.1	35.1	23.0
Murmansk region	42.1	35.1	22.8
Novgorod region	44.1	32.3	22.1
Republic of Komi	39.3	38.3	21.7
Arkhangelsk region	42.5	37.0	20.1
Pskov region	46.8	33.9	19.1
Kaliningrad region	43.4	38.1	18.6
Vologda region	48.3	33.0	1.1
St.-Petersburg	51.0	30.2	17.6
NWFD average	44.7	33.9	20.9

Table 2. If you are not sufficient for opportunities of free time spending what is the reason for that? (% of the respondents)

Region	Lack of free time	Lack of means to spend free time	Lack of recreation centers
Arkhangelsk region	34.5	40.3	44.1
Murmansk region	25.9	40.0	44.0
Republic of Karelia	32.3	47.5	29.9
Republic of Komi	35.4	57.4	25.8
Pskov region	23.4	49.1	25.0
Novgorod region	32.6	54.5	21.7
Vologda region	32.8	44.8	20.8
Leningrad region	40.7	47.0	18.8
St.-Petersburg	45.0	51.4	17.2
Kaliningrad region	29.2	49.4	16.8
NWFD average	32.9	47.7	25.8

¹ Total number of respondents in ten regions of the North-West Federal District: Arkhangelsk region 624, Murmansk region 656, Kaliningrad region 625, Leningrad region 613, St.-Petersburg 612, Republic of Komi 621, Republic of Karelia 626, Novgorod region 625, Pskov region 625, Vologda (reference region) 1500.

Table 3. Are you sufficient for your opportunities to relax, spend holidays?
(% of the respondents)

Region	Fully satisfied	Partially satisfied	Not satisfied
Republic of Komi	30.5	33.7	34.6
Novgorod region	30.4	30.2	34.2
Republic of Karelia	33.5	32.9	32.9
Pskov region	36.2	30.9	32.1
Leningrad region	38.2	28.3	32.0
Arkhangelsk region	37.0	32.2	30.8
Kaliningrad region	44.7	28.9	26.5
Vologda region	37.4	33.9	24.9
Murmansk region	42.4	33.4	24.3
St.-Petersburg	46.6	30.1	20.4
NWFD average	37.7	31.8	28.7

Table 4. If you are not sufficient for your opportunities to relax, spend holidays what is the reason for that? (% of the respondents)

Region	Lack of means	Impossibility to spend a vacation in free time
St.-Petersburg	54.7	40.6
Leningrad region	57.9	38.4
Arkhangelsk region	60.3	35.2
Vologda region	57.8	33.1
Murmansk region	55.5	31.8
Republic of Karelia	62.8	3.5
Republic of Komi	71.7	28.3
Novgorod region	69.1	26.7
Kaliningrad region	55.9	24.4
Pskov region	70.1	15.9
NWFD average	61.2	30.7

Table 5. Where did you or members of your family spend holidays this year?
(% of the respondents)

Republic of Karelia	Republic of Komi	Arkhangelsk region	Vologda region	Kaliningrad region	Leningrad region	Murmansk region	Novgorod region	Pskov region	St.-Petersburg	NWFD average
<i>As a free-wheeling holidaymaker in Russia or CIS's territory</i>										
13.6	19.8	25.7	17.0	12.4	14.8	41.2	17.2	13.1	23.6	20.8
<i>Sanatoriums and holiday hotels in Russia or CIS</i>										
12.1	23.1	19.3	15.3	20.1	21.1	20.9	12.0	18.0	16.9	18.0
<i>Resorts in Turkey, Greece, Egypt, Tunisia, United Arab Emirates and other countries</i>										
20.4	22.2	16.4	8.5	14.8	22.4	15.7	1.3	12.6	25.2	17.2
<i>Recreation centers and tours within the region</i>										
20.1	9.9	9.8	19.8	31.7	12.7	11.6	12.0	25.2	18.7	16.9
<i>A camp in the region's territory</i>										
5.9	7.2	8.7	16.1	13.0	6.9	2.8	14.2	8.3	7.9	9.2
<i>Europe tours (Spain, Italy, France, Czech Republic, Bulgaria, Scandinavia and others)</i>										
13.0	4.2	6.9	4.2	8.9	13.7	8.6	6.0	3.4	15.0	8.6
<i>A camp in Russia or CIS's territory</i>										
9.3	4.8	5.3	5.8	6.5	5.6	5.0	2.1	2.4	5.1	5.4
<i>Exotic countries (Thailand, Cuba, Brazil and others)</i>										
3.4	2.4	1.6	1.0	0.9	8.1	2.2	3.0	0.5	5.1	2.9
<i>Others</i>										
22.9	15.9	29.6	11.6	11.2	1.0	11.6	24.0	23.8	8.1	14.7
<i>Nowhere</i>										
48.4	46.4	39.5	59.9	45.9	35.8	29.3	62.7	67.0	29.2	48.1

ECONOMY OF PUBLIC SECTOR

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Matters of state regulation of distribution processes and of income use in modern Russia

The article proves that in modern Russia the system of non-optimal and unfair income distribution between the state and managing subject and between the social groups of the population has developed. The author thinks that in order to provide optimal and fair distribution and use of income it's necessary to refuse from discredited liberal-monetarist policy and to turn to the model of market economy development, regulated by the state.

State regulation, tax system, optimization of budget revenues, rationalization of expenditures, state financial control, social justice.



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Nowadays in political and science circles the problems of the role and functions of the state in economy and social sphere as well as problems of state security and law and order are widely discussed. Though these issues had been already discussed by many scientists and experts, but today they have become the most urgent problems.

The matter is that in the 1990s during the economic reforms in Russia the leading tendency was the weakening role of the state and state regulation. It caused inefficiency of public authority activities.

There are still many proponents of reducing the state function to minimum. In this case market relations are understood as self-reproduced system, i.e. the so-called "invisible hand" of the market regulates everything and the state must not play an important role. The

idea was realized in practice and as a result this "self-reproduced" system was filled with oligarchic, criminal and semi-criminal structures which began to fulfill the functions of the state. Naturally, they do it with the aim of getting super profits. And of course, they pay the least possible amount of taxes, customs duties and rents. All these facts make a negative impact on the processes of fair distribution and use of income in modern Russia.

In any country finance and credit system, pricing and a number of other economic instruments play the most important role in the process of regulation of distribution and use of income. Fiscal and tax policy takes the leading position in this process. The value of GDP (proceeds of returns from sales of goods, services and national wealth) is distributed, redistributed and used through the state fiscal

system. At the stage of initial distribution of clear national product (national income) as part of the volume of GDP the revenues of managing subjects are formed, such as wages, salaries, profit of enterprises (industrial, agricultural, trade and other branches), rents, interests and others. On the basis of further redistribution of mentioned revenues with the help of tax and nontax payments, large finance resources are formed in centralized state funds (state budgetary funds, state off-budget funds).

As the central and leading part of the state finance system, the fiscal policy serves as an important economic instrument of regulation of macroeconomic proportions with the help of redistribution of monetary funds between different branches of economy, production and non-production spheres, economic regions, and social groups of the population, etc. The higher the level of centralization of state budget revenues, the more important is the role of the state and state regulation in economy, social sphere and other spheres of social life. Owing to a high share of participation in distribution and redistribution of GDP the state will have more financial possibilities to meet its engagement to the society and to secure social protection of the population. As a result, it is also very important to study the state regularity in distribution and redistribution of the value of GDP with the help of correlation coefficient between this value and state expenditures (mostly including the state fiscal expenditures). The correlation coefficient defines the level of efficiency of the state regulation of distribution

and use of income in a country; in particular, it defines the depth of socialization. *Table 1* shows the dynamics of correlation between the state expenditures and the value of GDP in some developed countries, the USA and Russia over the period 1936 – 2002.

As it can be seen from the table, the state expenditures growth in comparison with the GDP value reflects at the same time the growth of the share of the state participation in distribution and use of the indicated values. And it is the main tendency of the world economy development. Since the first half of the 20th century state involvement in distribution and use of GDP value in the indicated countries has been constantly increasing and this tendency continues to the present. Moreover, the tendency is keeping on in the 21st century. In these countries more than half of the produced value of GDP is used through the state expenditures growth. Owing to constant growth of the indicated expenditures the above mentioned states became social-oriented and it helps them to guarantee social protection of the population at the necessary level. In support of this fact these countries have a relatively high level of wages and salaries, pensions, benefits and other social payments for the population.

The table also shows that in Russia during the economic reforms (1991 – 1998) the state involvement in distribution and use of GDP value decreased 6 times. Taking into account the double decrease of GDP over the period, it turns out that the total amount of the state budget dropped almost 10 times¹. Being the

Table 1. State expenditures (as a percentage of GDP)

Country	Index				
	1936	1960	1991	1998	2002
England	22,0	32,2	36,2	40,2	42,6
Germany	25,8	34,6	44,5	54,3	53,8
France	23,6	32,4	39,7	46,9	48,2
Sweden	20,8	31,1	44,8	58,5	58,3
USA	13,6	27,0	30,9	32,9	33,8
Russia	65,0	72,3	65,0	11,0	30,5

Source: Soviet Russia. – 2001. – December, 8. – P. 2; Budget process as an instrument of efficient management. The Government concept. – Stockholm, 2005. – P. 20.

richest country in natural resources, in 1991 – 1998 Russia had a very small, almost "poor" budget funds. The sharp drop of budget revenues was caused not only by a small volume of GDP but also by its unfair distribution. The distribution of GDP value and redistribution of revenues was done not so much in the interests of the state, as in favour of big private corporations in the person of oligarchs and criminal and semi-criminal structures. Such situation, in turn, was determined by the fact that during economic reforms that were carried out without the state control, corrupt black economy formed, together with the legal and official market economy. The existence of corrupt economy puts an obstacle to fair distribution and use of incomes in the country on the whole and between the regions.

After the default of 1998 in Russia the process of state recovery was starting. The role of the state in the regulation of macroeconomic and social processes began to grow. The turn from radical and liberal reforms of the 90-s was accompanied by the destruction of scientific and production potential and social infrastructure. New reforms ensured the turn to stabilization of the country and its social and economic development. After the default the country experienced a constant economic growth. The average rate of economic growth over the period 2000 – 2008 varied from 5 to 6,5%. For the last 8 years GDP volume increased by 68%² and the growth was caused mainly by the price increase on natural resources (oil, natural gas) at the world market. In 2007 Russia took the 7th place in GDP volume among the world countries. The volume of the state budget (the consolidated budget of the Russian Federation) over the period increased several times and the federal budget became profit, i.e. its revenues exceeded the expenditures. There was also the growth of the reserves of foreign currency and gold of the Central Bank of Russia and the Stabilization Fund of the country. By 2008 they had big assets: 129,7 billion dollars of the reserve fund, 32,7 billion of the Future Generation Fund (the Stabilization Fund),

595,9 billion of gold and foreign currency reserves of the Bank of Russia, the total sum – 758,3 billion dollar³.

The Stabilization Fund consists of oil and gas incomes that are formed by excess difference between real and nominal prices on oil and gas, and all the rest incomes, connected with unaccounted inflation and economic growth rates, when the federal budget revenues are calculated (including the rest of federal budget resources). Among the listed revenues, oil and gas incomes prevail and they are planned separately. At the same time the sources of the Stabilization Fund since the day of its establishment (2003) and gold and foreign currency reserves have been frozen, i.e. they have not been used for financing national economy and social sphere on the pretext of inflation threat. At the expense of the Stabilization Fund and gold and foreign currency resources the government should have mobilized savings to ensure stable development of innovative and investment activity. But the assets were put into foreign bonds with low interest rates to serve the economy of foreign countries. In fact, the real chances to use super incomes were lost. The super incomes were received from the raw materials export at high prices and could have been directed to develop the real economy sector, to solve urgent social problems, to secure production growth and these measures could have reduced inflation. Oligarchs and rich people have to pay off for the banking system and stock market collapse. Though the low-income (poor) citizens don't deal with securities or bank deposits, they have to pay off too. According to unofficial sources, 15% of the Russian population account for 85% of total bank savings and 92% of property income, while 85% of the population account for the other 15% and 8% respectively⁴. While world and Russian stock exchange indices were going up, the property prices were rising, the number of oligarchs and their personal wealth was growing. The oligarchs borrowed money from western banks but when the day of reckoning came, the ordinary people have to pay off their debts.

Today our country faces a great number of serious and unsolved problems in national economy and social life. Moreover, the current financial crisis caused new problems and they must be solved urgently.

In Russia there is no development of innovation economy, especially of high-technology industries and knowledge-intensive industries. The above-mentioned 68% of GDP growth for the last 8 years is the same as the GDP growth in 1990. But according to analysts and independent experts, even by the end of 2008 Russia won't overcome the economy recession of the 90-s. At the end of 2008 the volume of industrial output will make up 84,5% of the industrial output of 1989. It won't be achieved even by 2010 (at the expected 3,8 – 5,4% growth rates), because it will account for 91 – 94% by the level of 1989⁵. In spite of some improvements in economic diversification, very little money is allocated in the form of state investment to the development of manufacturing industries, such as machine-building, light industry, shipbuilding, car industry and others. Russian industry is oriented to the raw materials industry development and the country continues to live and to develop in the conditions of monostructural economy which depends on world market prices.

It is also observed a significant backlog in the development of such Russian key industry, as agriculture. For example, in 2004 the volume of agricultural production was 67,9% compared with 2005. And good growth rates – 3,9% – were achieved in this branch only over the period 1999 – 2004. Unfortunately, after that there was a serious slowdown in growth rates – down to 1,4%. It means that by the end of 2008 it will be possible to achieve only 71,7% by the level of 1989⁶. During the period of transition to market economy the agricultural sector suffered a lot because of insufficient state financing and now serious efforts must be undertaken to improve the situation. A solution to the agricultural crisis brooks no delay, that's why the state has to take urgent measures for solving economic, financial and social prob-

lems, especially because the financial crisis has already set new tasks and there will be more problems in the future, including the problems of agriculture.

One of the principal criteria for fair and optimal distribution and use of income is a degree of socialization which is determined by measuring national quality of life and national development. Quality of life indicators are as follows: standards of living (income standards), education, and standards of living in retirement, average life expectancy, etc. In this regard the situation is paradoxical: Russia had high macroeconomic and financial levels of development before the crisis, but the Russian standard of living lagged far behind that of many countries. And the tendency still remains. For example, Russia takes the 67th place in the standards of living, the 119th⁷ place in average life expectancy, etc. It turns out that the economy and income growth cannot guarantee the increase of quality of life, as it takes place in many social-oriented countries.

Over the period 2000 – 2008 there was much talking about rise of minimum wage, pensions, state employees salaries, but because of the high inflation rates (since price for consumer goods and services increased) and the lack of differentiation of personal taxation of individual income, first of all real income of poor people is decreasing. The real income growth can be observed in the incomes of rich and super-rich people, because when inflation rate rises, the prices grow several times slower for the rich. Because of the big income gap, inflation influences different social groups unevenly.

One cannot but notice that low quality of life in Russia is caused mainly by lower wages compared with the wages in industrial and developing countries. For example, the share of wages accounts for about 30 – 35% of GNP instead of necessary 60 – 70%, i.e. twice times lower⁸. Low wages are typical for the most industries, except for fuel and energy complex. For example, wages lower than substance minimum are received by one-third of light industry workers, two-thirds of agriculture workers and

from one quarter to half of employees in the sphere of public health, education and culture⁹. Besides, over the period of transition to market relations Russia was the only European country where the minimum wage was set lower than substance minimum. Only since the January, 1, 2009 the national minimum wage is set at the level of the substance minimum and is equal to 4330 roubles. And in the developed European countries the substance minimum, including its quantitative and qualitative characteristics, is much higher.

The same gloomy situation is true for old-age insurance (as can be seen from the data in the *table 2*).

We can draw a conclusion that Russia takes the last place in old-age benefits among the countries in the table. Meanwhile, according to the European Social Charter the minimum old-age benefits must be 1,5 of the substance minimum and the International Labour Organization Convention stipulates that pension should not be lower than 40% of previous

average earnings. In most countries old-age benefits reach 60% or more of average earnings. In Russia the old-age pension of ordinary citizens make up 24% of their average wages¹⁰ and the state employees get not less than 70% of their previous earnings. The old-age pension in Russia will average 5 461 roubles in 2009 and 6 091 roubles in 2010¹¹. The sum is trifling, taking into account constantly increasing prices and the financial crisis.

Low wages and pensions have a negative impact on average income per capita which is rather low in comparison with that of the developed countries (*table 3*).

The national average income is the average income of low-income, middle-income and high-income population and as it is seen from the table the Russian average income is several times lower compared with the average incomes of the developed countries or G8 countries.

Because of inadequate state regulation of distribution and redistribution of income in modern Russia crying injustice exists in the distribution and redistribution of money resources, property and national wealth among different social groups. The economic reforms of the 90s in Russia led to breaking of property relations and an uncontrolled predatory privatization of state property and national natural resources. Radical liberal reforms opened the doors to an unlimited growth of social inequality. Income differentiation has attained a dramatic scale. The decile coefficient (the ratio between the average incomes of the richest 10% of the population and the poorest 10%) rose from 4,5% in 1991 to 15% in 2004. Gini

Table 2. Average old-age pension benefits in 2005

Country	Index	
	in US\$	In roubles
1. Switzerland	4 500	118 350
2. Norway	3 040	80 000
3. Portugal	2 900	76 270
4. Sweden	2 600	68 380
5. Germany	2 220	58 480
6. New Zealand	2 000	52 600
7. France	1 600	42 080
8. Netherlands	1 500	39 450
9. Spain	1 360	35 840
10. Italy	1 300	34 190
11. Finland	980	26 000
12. the USA	800	21 040
13. Austria	800	21 040
14. Great Britain	680	17 880
15. Hungary	570	15 000
16. Estonia	260	6 840
17. Latvia	140	3 680
18. China	114	3 000
19. Belarus	100	2 630
20. Russia	87	2 300

Source: Soviet Russia. – 2007. – June, 5. – P. 4.

Table 3. Average income per capita in 2005

Country	In US\$
The USA	39 900
Japan	36 600
Great Britain	35 500
France	34 400
Germany	32 800
Canada	31 100
Italy	28 900
Russia	4 030

Source: Soviet Russia. – 2006. – August, 1. – P. 1.

coefficient (measure of inequality of income distribution) rose from 0,26 to 0,406. Experts estimate that the difference in quality of life of "Poor Russia" and "Rich Russia" was hundred-fold (the poor received 300 dollars, the rich received 3000 dollars monthly)¹².

Today the quantity of poor people in Russia is artificially underestimated because of the incorrect statistical methods. In official statistical calculations the experts base their estimates on minimum subsistence level. In this case about 20% of Russians may be called "poor" (30 million people whose income does not reach the subsistence minimum)¹³. But poverty threshold can be measured on the basis of minimum social needs (for example, the possibility to buy dwelling), as it is done in the countries with socially oriented economies. In this case according to the independent experts' estimates the number of the poor will grow three times and will reach 90 million people (60% of the Russian population)¹⁴.

The reliable research of the Institute of National Economic Prognosis shows that the income gap between rich and poor has been enlarged to 23 times¹⁵. The Academician D.S. Lvov regarding this gap noted that in Russia the decile coefficient had reached an astronomical level of 20–21 but even these figures did not reflect the real level of income differentiation. The decile coefficient among the wealthiest amounts to 40 times. In Lvov's opinion, there is no middle class in Russia and there are only super-rich people, poor people and beggars¹⁶. Isn't this unbelievable for the country whose Constitution proclaims Russia a social state (Article 7, the Constitution of the Russian Federation).

The social inequality has reached a threatening scale and in this regard Russia gives way only to some African and Latin American countries (like Zambia and Brazil). Meanwhile in 2007 Russia had the second largest number of billionaires in the world. At the same time in many social-oriented European countries the income gap between rich and poor fluctuates in the range of 5 and 8 times. According to the world experience the optimal decile coefficient

should amount to 4 – 4,5. For example, in the USSR the coefficient was optimal as it fluctuated in the range of 3 – 4 times¹⁷. In modern Russia injustice in redistribution of incomes, property and national wealth causes the high level of material inequality and poverty as well as painful feelings of ordinary people humiliated by the authority negligence (the moral aspect). As a result of this state authorities must realize that a high level of social inequality, both morally and materially, undermines political stability, fuels social tension in the society and diminish government efficiency and can lead to political upheaval.

In spite of the recovery, Russia is still far from being an ideal state. Having excessively high salaries and different kinds of benefits, Russian government officials have worked and are still working mainly for their own wealth and for oligarchy. The vertical of power of the government indulges in fraud, corruption and gerrymandering. Corruption penetrated into every sphere of social life and the highest echelons of government and threatens the safety of the Russian state. For many years corruption has been a constant problem in Russia, that's why in 2008 the President endorsed the initiative to develop different measures to fight corruption, including forming special anti-corruption commissions, approving a package of anti-corruption laws and others. He vowed to fight against corruption by taking the effort to take under his personal control.

Russian state apparatus is too enormous for national economy. In 2007 the average salary of federal state officials is 25,6 thousand roubles¹⁸ along with low benefits, old-age pensions, scholarship payments and rather low salaries of public sector employees.

Inefficiencies in state regulation of optimum and just distribution of income are caused by modern tax policy in Russia. The development of new tax system in the current market relations new mechanisms of income redistribution in favour of the rich and oligarchs created many economical and social problems, and the most urgent one is a high level of social differentiation.

One of the negative aspects of Russian tax policy is its orientation to indirect taxation. For example, value-added taxes, customs and excise duties make up about 70% of tax revenues into the federal budget. These taxes are included in the prices of goods and in the tariffs on services. The introduction of indirect prices into the price equation causes price increase and finally the inflation growth. The main function of indirect taxes is fiscal, it means that they are safer and more stable revenue sources and do not depend on inflation rates. As far as final consumers, the population and the state establishments of the budgetary sphere are the final payers of indirect taxes, the least wealthy suffer above all, because their real incomes decrease. Tax payment irrespective of the payer's income level leads to the fact that the more people earn the less the proportion of their income they pay in tax and such taxes are regressive. Besides, indirect taxation leads to reduction in consumer demand, as well as production volume reduction and consumption of realization of goods and services and finally the reduction of tax revenues. Furthermore since the final payers of indirect taxes are manufacturing enterprises, these taxes have a negative impact on the financial statement of these enterprises what makes them enter the shadow economy partially or totally. In this case the state does not get any taxes. It proves the fact that indirect taxes do not stimulate but slows down the production development.

Russian tax reforms implemented on the 1st of January, 2001 along with radical measures undertaken to regulate tax legal relations made changes in the sphere of indirect taxes. At the start of 2004 sales tax was abolished, the basic rate of value-added tax (VAT) was reduced from 20% to 18%, There is also 0% rate, which applies to the majority of export operations and some other specific supplies. As for the basic rate of VAT, many scientists, experts, law-makers and politicians propose to abolish VAT or reduce it to 16% or even 12%. They explain that such reduction will stimulate production growth of manufacturing

enterprises. Till recently it could be possible, because in case of VAT reduction the loss of budget revenues could be compensated from extra income, received in the result of growing prices on natural gas and oil on the world market. But today under the circumstances of the global financial crisis and falling energy costs it seems hard to realize the proposal to abolish or reduce VAT.

In Russia budget revenues are formed not at the expense of direct taxes, such as natural resources consumption tax, property tax, tax on profits, land tax, capital gains tax (as it is done in majority of countries), but at the expense of taxes on consumers and labour. Such tax structure is unhealthy. Natural resources make up 75% of Russian GDP and 13% of all proceeds of tax and 5% of national wealth is formed at the expense of labour and accounts for two thirds of all taxes¹⁹. Only wage fund is levied on the whole at 39% (consists of 13% of personal income tax and 26% of unified social tax).

It is known that except fiscal and stimulative functions taxes have also regulatory and social functions. Taxes play a very important role in the process of state regulations of distribution and income use in order to optimize and provide balance between the state, enterprises and citizens. Under market economy conditions it's necessary to increase the role of tax regulation, because market economy generates large income differentiation. The functions of taxes are realized through the appropriate mechanism of different legal regulations concerning tax collections, including a wide choice of tax instruments (tax rates, tax credits, methods of tax calculations). With the help of this mechanism and methods of taxation the state receives the possibility to influence the whole process of reproduction (production, exchange, consumption) and regulate distribution, redistribution and use of incomes in the society.

The regulatory function is closely connected with its social function. It helps to provide the social balance both of distribution and use of incomes. For this purpose states of the whole world use progressive tax scale (low incomes

of natural or juridical persons are taxed at a lower percentage of rate, high incomes – at a higher percentage of rate), certain groups of people are exempt from a number of taxes (low-income people, disabled, pensioners and parents, having many children), essential goods and services are taxed at a lower rate (the VAT rate is decreased), indirect taxes are increased on luxury goods. In this connection tax on income of natural persons is one of the main and powerful instruments of regulation of income redistribution and can smooth the income difference between social groups.

In all developed countries personal income tax is levied on a progressive scale of taxation. Progressive taxation is an effective policy for mitigating social inequities and for narrowing the income gap between the rich and the poor (the decrease of decile coefficient). In the above-mentioned countries the highest rate on personal income tax ranges from 30 to 60% and more, e.g. the highest marginal tax rate in the USA is 31%, in China and Denmark – 51% and 63%, respectively. Moreover, in some countries the low-income people are exempt from income tax. For example, in France high earners pay 45% tax and the poor under a certain level of poverty don't pay income tax. In some countries the average wage is 5000\$ and as it is considered the income below the poverty level, such income is not taxed²⁰.

Until 2001 Russia applied progressive tax schedule on tax on profits (now it is called income tax on natural person) and its lowest rate was 12% and the highest rate was 30%. There is no doubt that such differentiation contributed to narrowing a big income gap between the rich and the poor. Since 2001 when the second part of the Tax Code was adopted Russia implemented a low 13% flat tax on personal income for all types of income and for all payers (except several types of income which are taxed at 35, 30 and 9 per cent). According to Russian tax legislation in determining the taxable base some categories of tax payers are entitled to get standard deductions, property-related deductions, social and professional deductions

and the income subject to taxation is reduced by the amount of the deduction. The possibility of receiving such deductions is estimated as a positive aspect of tax system. But other income taxes at the stated above rates (35, 30 and 9%) account only for a small part of all income tax collection, because the greatest part of all income tax for all payers are subject to 13% tax, regardless of its amount.

In spite of unfavourable opinion of some economists and world experience, a low 13% flat tax, specified in the second part of the Tax Code, has been successfully implemented in Russia. It should be also noted that among economists, experts and politicians there has been a lot of debates about income on personal tax and now the problem is still being discussed, taking a very important social significance. There is no need to prove that one of the main reason of a big income gap between the rich and the poor and growing social inequity is abolishing of a progressive tax schedule and adopting the unified and non-differential tax rate on income. The developers of a flat tax schedule as well as executive and legislative authorities try hard to prove the opposite; nevertheless we are strongly convinced that the regressive tax schedule works in favour of the rich. Unlike many other countries, tax on income of natural persons does not fulfill its regulative and social function. Non-differentiation of taxes and flat tax schedule do not take into account big incomes of some people (the rich and the super-rich layers) and do not contribute to higher tax on such incomes and in such case there is no fair income redistribution between different groups in society. In fact taxes on income of natural persons are regressive in character, because the rich become richer and the poor become poorer.

To justify a flat tax schedule the opponents of progressive taxation give the following reasons: it will increase tax collection and will help to get more income out of the shadow economy. It is true that after implementing a unified 13% rate for all tax payers income tax revenues increased. But it happened for some

other reasons. First, tax burden on low-income people increased (till 2001 they paid income tax at the rate of 12% and since 2001 the rate have grown by one per cent). Secondly, tax deductions were abolished for a significant part of payers, in particular, for the representatives of military forces. And in the third place, the constant growth of wage funds of enterprises and establishments also contributed to the increase in tax collection. The statistics show that 90% of all income tax is paid by the poor, but not by the rich. And the poor have to pay this tax at the same level as millionaires and billionaires. Furthermore, the implementation of a unified tax rate didn't justify itself as a measure capable to take "black" and "grey" salaries out of shadow economy. For example, "envelope" wages (meaning payment in cash that is not officially recorded for tax and social security purposes) are still widespread and account for more than 40% of official wages²¹. Since the 90s in Russia some methods of money-laundering have been used, e.g. money export with the help of import goods without crossing customs borders. Under such scheme, milliards of dollars flow abroad annually and then the doubtful money is laundered by means of cash operations. The scheme is used for tax evasion. In modern Russia corruption incomes as part of shadow incomes amount to hundreds of thousands of roubles.

All these facts prove that it is necessary to refuse from single rate of income tax and turn to differentiation of taxes with the help of implementing a progressive tax schedule. Only under progressive tax schedule personal income tax will become one of the most important instruments of state regulation in the sphere of fair distribution and use of income.

According to the Russian tax legislation the rate of unified social tax is also regressive, i.e. the higher the income of the taxpayer the smaller the proportion or percentage paid in that tax. The current rate of contributions to the Pension Fund budget accounts for 26% of the unified social tax and it is the aid budget.

To improve the state pension system there was developed a new concept according to which a 26% unified social tax will be replaced by insurance payments. They would amount to 34% of the wage funds of enterprises. As for small business and agricultural enterprises, the high rate of insurance payments will be paid from the budget. The new pension reform will be implemented in 2010. From 34% of insurance payments 26% will go to the Pension Fund, 5% to the Mandatory health Insurance Fund and the rest 2,3% to the Social Insurance Fund. Companies will only pay for those who earn less than 415 000 rubles a year, or 35 000 rubles per month. It is easy to understand that the super-rich will not pay any insurance payments from what is earned over 415 000 rubles. It follows that the main insurance payers will be citizens with the monthly incomes not higher than 35 000 rubles and they are the very persons who will fill the social money-box of the country. In our opinion, such pension reforms will keep and increase the income differentiation and social inequity.

According to Russian tax legislation, inheritance tax and gift tax among family members has been recently abolished. The owners of enterprises, palaces and expensive property, stocks, securities and other innumerable treasures – that is all the possessions of criminal oligarchy for the last 20 years – are free from inheritance and gift taxes. It would be impossible for the civilized world. It is true that the poor layers of the population are also free from inheritance and gift taxes, but their possessions are nothing but huts, shabby houses and private apartments. It's not difficult to realize that the lack of differentiated approach to exemption from inheritance and gift tax will widen the income gap between the rich and the poor.

Thus for today in Russia taxes fulfill only its fiscal function. The mechanism of realization of stimulative function does not work sufficiently. The social function of taxes is not fulfilled either and the tax system is regressive in character, i.e. the higher the income the less the share of taxes is paid. Actually, mechanism

of taxation aimed at narrowing a big income gap does not work. Under existing tax policy the authorities can not receive adequate taxes from the rich and super-rich people having huge assets (as it is done in many civilized countries) and can not get them to take part in the national economy development. Moreover, under existing regressive tax system the contrary task is fulfilled - the income is redistributed from poor to the rich. It is reasonable that it has a negative impact on the efficiency of the state regulation in the sphere of fair distribution and use of income and as a consequence, the state can not fight such social evil as poverty.

Pricing system plays an important part in the process of state regulation of distribution and use of income. In the market economy conditions the net of natural monopolies caused uncontrolled corporative pricing. It results in galloping prices and rapidly growing inflation. In our country inflation is a very serious and painful disease, because, as it was noted above, it affects the poor more than the rich, thus increasing the income gap. It is also noteworthy that under the circumstances of financial and economic crisis along with growing inflation, well-to-do people become poor. Therefore, in order to stop inflation growth, it's necessary to reinforce antimonopoly regulation and the state control over pricing system. Unfortunately in practice the measures, proposed by the Federal Antimonopoly Service and the Federal Tariff Service, are inefficient.

As the high inflation rate is caused by unrestrained growth of prices on food and housing and utilities tariffs, in the context of optimization of the state antimonopoly policy there is an urgent need to freeze prices on fuel, energy and gas. Besides, the state authorities should take administrative and legal measures against decriminalization of food retail network, i.e. the elimination of organized criminal and mafia groups that control food markets in cities. For example, according to figures for 2006, the Muscovites overpaid three times as much for fruit and vegetables and to 8 times for some items, twice for meat and milk products, 4 times for bakery items²². These are the

additional payments to the criminal structures that make difficulties for the development of efficient competition. It is clear that for the authorities struggle against decriminalization of food markets is a difficult task and they should manifest strong political will. At the same time one must not forget that it is impossible to solve the problem of high prices and inflation merely with the help of administrative measures. In order to reduce prices on consumer goods it's necessary to provide constant development of production and in the first place, the growth of agricultural and industrial production and other branches of national economy, especially its real sector.

And finally, the problem of state regulation of distribution and use of incomes at the regional level is no less important. The point is that nowadays there is also a big income gap between the regions. There are "donor" regions and "recipient" regions where the incomes are lower and the share of poor people is bigger. According to All-Russia Centre of the Standard of Living, in 2007 13 regions were among the poorest regions where the poverty rate is more than 30%. The poorest regions are Ust-Ordynsky Buryatsky avtonomny okrug (72% of the population live below poverty line), Republic of Kalmykiya (59%), Ivanovskaya oblast (41%). The wealthiest regions are Khanty-Mansiysky avtonomny okrug (poor people account for 7,9%) Yamalo-Nenetsky avtonomny okrug (8,6%), Saint-Petersburg (10,2%). Moscow is the city of contrasts: on the whole the standard of living is higher than in other regions and at the same time 13,2% of Muscovites have incomes below subsistence minimum²³.

There is a mechanism of equalization of regions through regular budget allocations in the form of federal budget subsidies to the budgets of the subjects of the Russian Federation and inter-budget transfer funds (the so-called "budget regulation"). But in practice this system does not solve the urgent problem of elimination of income disproportion between the regions. Moreover, this mechanism of the state regulation of distribution and redistribution of income between the regions forms

subjectivism and certain parasitic attitude and doesn't stimulate the regional development and infringes upon the financial rights of the regions and increases their dependency on central authorities. Eventually it leads to residual-based financing of regional economy and social sphere, increasing confrontation between the federal center and the subjects of the RF.

The state regulation of distribution and use of income between the regions is closely connected not only with financial equaling of income gap and poverty reduction, but, what is more important, with the aim of ensuring the unity of economic and financial space and territorial integrity and it is a very important geopolitical problem that needs urgent solutions. It is known that behind the Urals, in the Asian part of the country, 20 million of people live on 15 million square kilometers of the territory (it is 5 times more than the European part of Russia). Besides, about 80% of all natural resources of Russia are concentrated here. To stop the population outflow and to increase the inflow, quicker pace of economic and social development is necessary for the regions of Far East, Eastern Siberia and Transbaikalia. It means that when the federal authorities determine the volume of direct allocations from federal budget to the regions and under the state regulation of income redistribution between the regions with the help of inter-budget transfer funds, the task of financing the above-mentioned regions must be top-priority and the central authorities should take the problem under their close control. Therefore, there is an urgent need to develop and apply a new mechanism of the state regulation of distribution and use of income between the regions. These problems are in turn connected with improvement of regulation of inter-budget relations, but it will be the other research topic.

To summarize, the state regulation of distribution and use of income in the country on the whole as well as between regions is the pivot of the system of state economic and financial policy which covers a wide range of social, economic, financial, geopolitical, legal and instrumental problems. The analysis of the problems shows, that in view of inefficiency and irregularity of this policy, including imperfection of the current tax legislation and the absence of strong state control over the pricing system, non-optimal and unfair income distribution takes place in our country.

The current tax system of modern Russia is regressive in character, i.e. the higher the income of tax payers, the lower the rate of tax payable and vice versa. Under the unified for all citizen rate of the flat tax schedule (for example, natural person income tax), irrespective of their income, the income gap between the rich and the poor is widening and the social stratification is growing. That's why new approaches are required for carrying out the state fiscal and tax policy and it's also necessary to change the tax legislation.

A differentiated approach must be applied to taxation of natural persons. In particular concerning natural person tax income, a progressive taxation should be implemented, as it is done in many countries. It should be also emphasized to solve the above mentioned problems it's necessary to revise the state social and economic policy and to increase the role of the state regulation in the social life of country. So, the time has come, in our opinion, to refuse from liberal-monetary course of economic and finance policy, from powerful help of the so-called "invisible hand" of the market that led the country into a dead end and to turn to the realization of the state regulation policy of the development of the social-market economy.

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MICROECONOMICS

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The efficiency of enterprise management system and ways of its improvement

The article offers an approach to determining the effectiveness of the enterprise management system. A strategy for development of the system in the conditions of the crisis observed in the domestic and world economy is worked out.

Strategic management, the effectiveness of management systems, ways of enterprises competitiveness improving.



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At the present time in connection with the observed in the world crisis phenomena forcing many companies to move to a regime of strict economy, one of the most important and widely discussed questions is about searching for ways to improve the enterprises' efficiency.

Let us determine the views on this issue.

Improving the efficiency of an enterprise is possible in two cases: a) when the cost of resources is fixed the value of the goods or services is increasing, b) when the value of the goods or services is constant the required resources production is decreasing. Of course, the greatest result is achieved when the value of goods (services) is increasing and the costs of resources is reduced at the same time, but subject to the crisis and in order to improve competitiveness the second option is still more preferable.

Acceptance of this proposition allows considering factors limiting the possibility of the resources cost reducing with a constant value of cost. The main of them, in our opinion, are:

1. Technical capability of the production system.
2. The available labor force, characterized by quantitative and qualitative (including skills and motivation) parameters.
3. The control system efficiency.

There is understanding that enhancement of the effectiveness of the company without the modernization of the production system is impossible on the vast majority of domestic enterprises. This is expressively demonstrated by the increase in the cost of technological innovation in Russia in fact, current prices for the period from 2000 to 2006 increased from 62,1 billion rubles to 211,4 billion rubles or

by 3,4 times. At the same time, the number of advanced production technology increased by 2,4 times (in 2006 it was introduced 168.3 thousand whereas in 2000 – only 70)¹. However technical re-equipment is usually one of the most expensive ways to increase productivity.

Questions of staff training have always been and remain in the area of management's attention. However, although the process of staff training and retraining is not so expensive compared to technical re-equipment², it is much longer. Another problem related to human resources is that a person comes to a company with already-formed attitudes, values, principles, and it is almost impossible to change and adjust them without his/her desire. But as practice shows, the vast majority of workers do not have this desire. In addition, increasing the skills of workers significantly and thus their competitiveness, the company runs the risk to waste resources in case the workers quit.

The fact that management system is improved can increase the company's efficiency significantly has been known since the time of *F.W. Taylor*. For example in the book "The principles of scientific management" he writes: "... the destruction of slow and listless work in all its forms and the establishment of such relations between entrepreneurs and workers, under which each worker will work for most benefits for themselves and with maximum productivity, combined with the maximum cooperation of workers with the Directorate of the company and assistance provided by management, as a result should lead to an increase in output per worker and per machine, in average almost twice. What other reforms ... can give

so much to increase welfare, reduce poverty and alleviate suffering?"³.

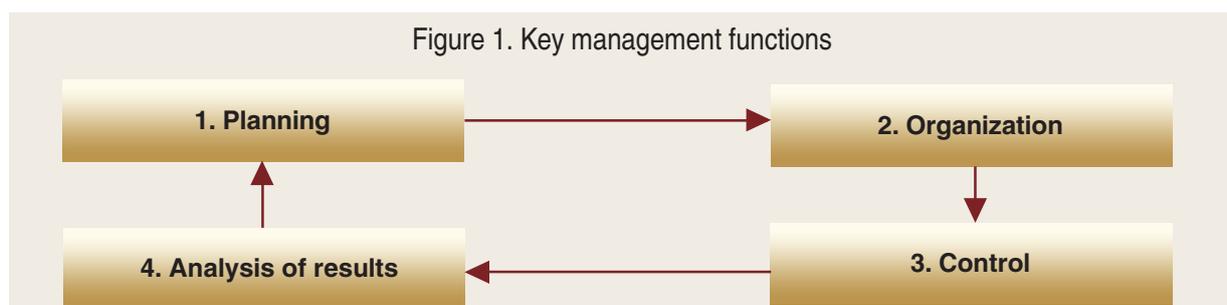
Using a systematic approach to management allows visually illustrate and confirm this proposition. Thus, the control system is designed to ensure consistent implementation of a number of basic management functions⁴ listed in *figure 1*.

Since in this case we are dealing with a system, its efficiency will be determined by analogy with the calculation of the efficiency in technical systems by the product of the efficiency performance of each of the designated functions.

Given the importance of the analogy defining the further logic we compare the definition of efficiency and effectiveness ratio that is used in the economics.

Efficiency is the characteristic of the system efficiency (devices, machine) in respect of energy conversion or transfer, it is determined by the ratio of the used energy to the total amount of energy received by the system. Because of the inevitable loss of energy to friction, heat, etc., efficiency is always less than unity. Accordingly it is expressed in fractions of spent energy, i. e. as a proper fraction or in percentage, and is a dimensionless quantity.

The efficiency coefficient (EC) is qualitative indicator of the level of economic efficiency expressed in the relative value. It is the ratio of the obtained economic results (e.g., the amount of profits or savings from the reduction of production cost) to the incurred costs. The efficiency coefficient can characterize the economic efficiency of production as a whole, investment, cost-effectiveness of new technology, etc.⁵



The definition shows that the efficiency characterizes energy conversion efficiency. Let us hypothesize that the same is happening at the enterprise or organization, the difference in the accounting system – power is measured by money and time. As a result, we get a lot of options for the management system operation depicted in *figure 1*.

Let us list the major ones:

Option 1. “The control system is working perfectly”.

$$EC 1 = 1 \times 1 \times 1 \times 1 = 1$$

Option 2. “Effectiveness of one of the management system functions implementation is less than the other functions”.

$$EC 2 = 1 \times 1 \times 1 \times 0,8 = 0,8$$

Option 3. “One of the management system functions is not working”.

$$EC 3 = 1 \times 1 \times 1 \times 0 = 0$$

Option 4. “All management system functions work, but insufficient”.

$$EC 4 = 0,5 \times 0,5 \times 0,5 \times 0,5 = 0,0625$$

The given examples show that the difference in the effectiveness of the control system between the first and fourth options is 16 times! At the same time, the fourth option (or one close to it in its point) is, in our opinion, the most common⁶.

The performed calculations allow formulating several conclusions:

1. If at least one of the main management functions is not fulfilled, the entire system does not work; as a result the defined goals are not achieved by the management object.

2. Management system efficiency is determined by the efficiency of the most poorly implemented function (the «weak link» principle)⁷.

3. The more levels management system has (subsystems, components), the lower the efficiency of its operation.

4. With the growing complexity management system effectiveness is reducing. At the same time, its complexity must be adequate to the complexity of the management object.

5. The more inefficient the management system, the more resources (time, financial, material) to achieve specified results are required.

The fifth statement is the most important for the purpose of enhancing the effective company functioning. *figure 2* presents it in practice.

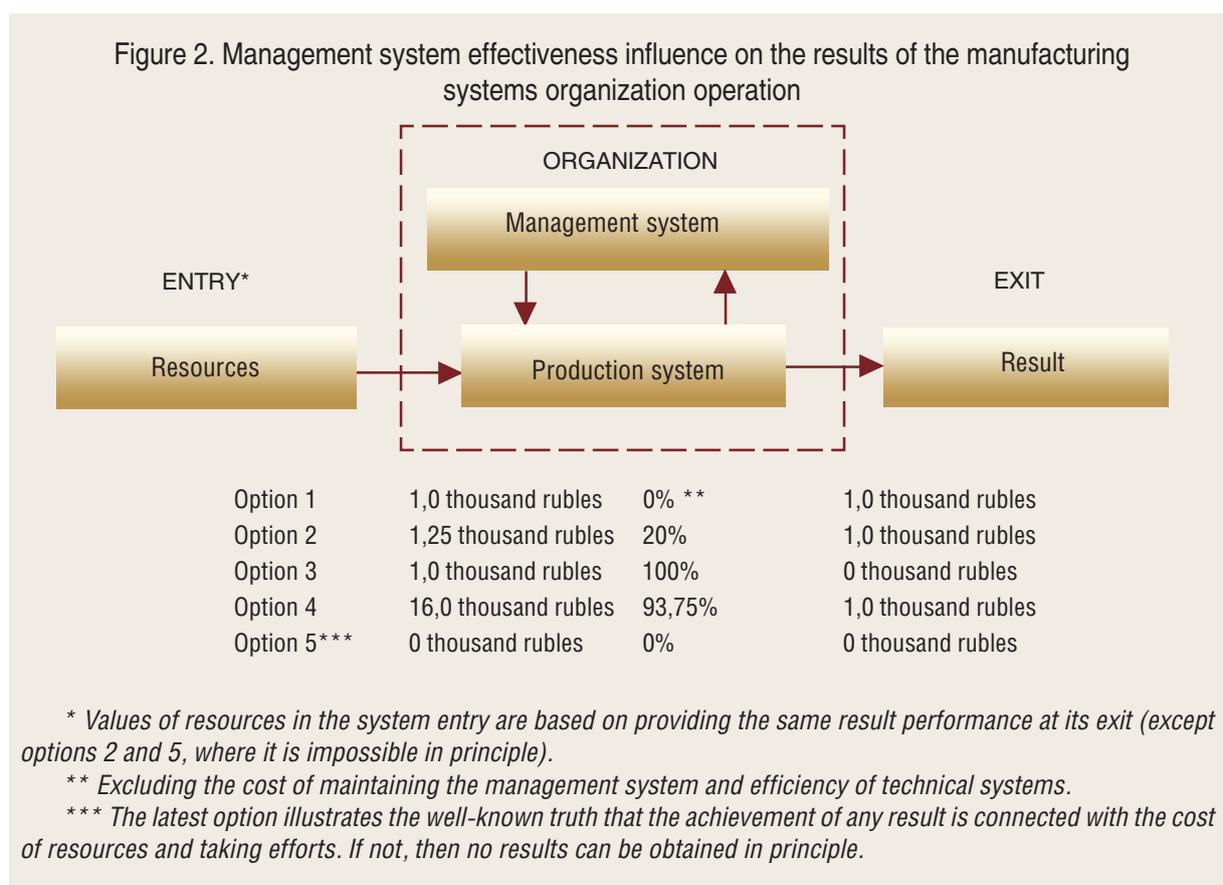
It should be noted that if the cost of material and financial resources to carry out various tasks and projects for companies and organizations in one form or another are recorded, the time and its losses are usually not taken into account (except in situations where the accrual of wages or prices require calculation labor)⁸. This is particularly true of the managers' and employees' time.

In what direction should the management system be changed? Which strategy should be followed? As is clear from the above scheme (see *figure 1*), *the first step* is to draw attention to how well the company performs the basic management functions (planning, motivation, accounting, control, etc.).

The second step is optimization of “conversion”, relations between the functions and the professionals responsible for them, under the management system.

The third step is improving the effective implementation of management functions across the management levels. The tasks to be resolved at each level differ in complexity fundamentally and require different competencies (*fig. 3*).

Many chief executives are able to match tasks and resources well (operational level), but there are very little professionals able to deal with strategic objectives – to determine the mission of the company, to develop a vision, etc., yet⁹. An example is the following fact. Number of mobile phone users in Russia has increased tenfold from 2000 to 2007! Try now to identify a market segment, which in the coming years, and in addition during the world crisis, is expected to grow at the same pace.



At this stage the tasks must be resolved and distributed according to management levels priorities and responsibilities. Each manager must primarily focus on issues in the area of personal responsibility. This is especially important for senior managers who are inclined to devote too much time on operational matters at the expense of strategic ones¹⁰.

The fourth step is improving management system in the context of functional areas (fig. 4).

Let us consider how the management of domestic companies in recent decades was developing. Most chief executives, who worked under command-administrative system of governance, were responsible only for making operational and tactical decisions. Their primary function was to ensure the uninterrupted release of the desired output of certain range and quality in the required time. Policy issues – what to produce, where to produce, etc. – were within the competence of certain ministries and departments.

Under the transition to the market “plants» – the production units – have become “companies”. The area of the chief executive’s responsibility included additional issues of developing and implementing strategies, and issues related to finance (pricing, marketing, investments, etc.). This has required managers to experience a range of entirely new skills. It is natural that not all of them were able to fit into the new environment quickly.

Further development strategy, the need for which is due to the increasing competition, should focus on two areas of work – to build effective relationships with customers and innovation development. These actions, as well as in the previous case, require substantial changes in the management system, its complexity and again the chief executives develop new skills.

Why didn’t these changes occur large-scale in recent years? The answer is obvious. Any change requires costs, which, accordingly, should be covered. At the same time, the

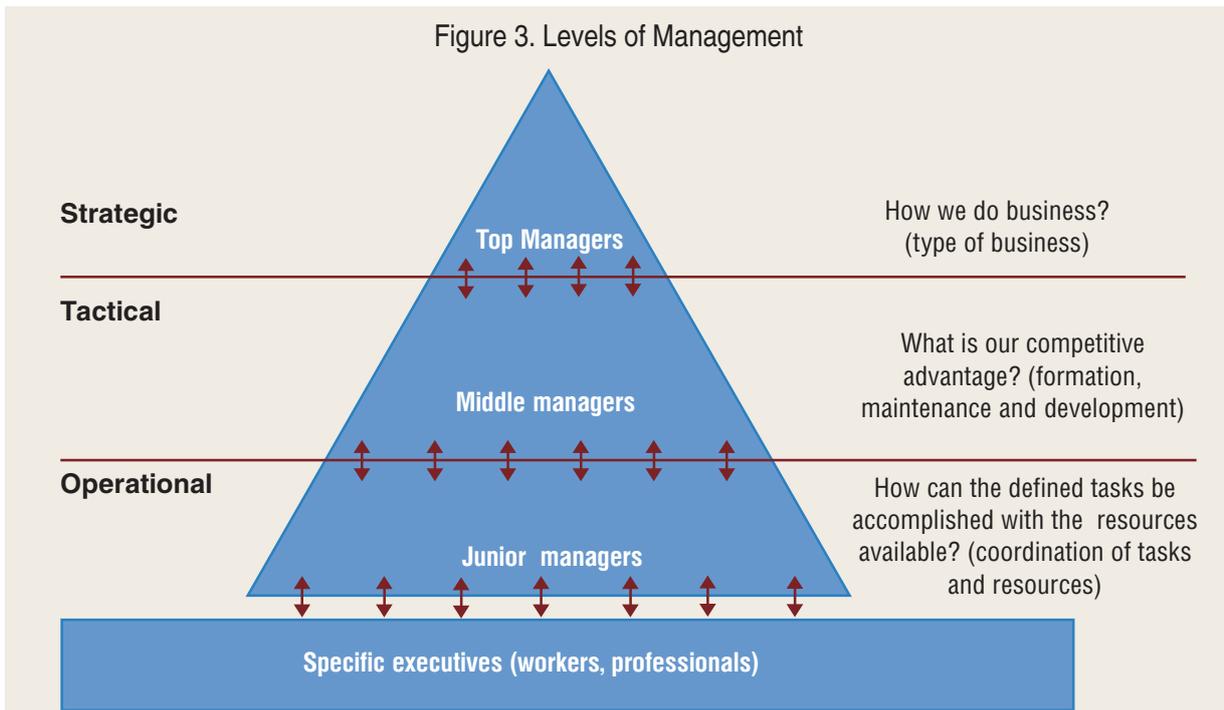


Figure 4. The development of management systems in Russia

The matrix shows the development of management systems in Russia. The vertical axis represents Levels of management (Strategic, Tactical, Operational). The horizontal axis represents Areas of analysis (Time, Quality, Cost, Relations with customers, Innovations). A blue arrow points upwards from the Operational level to the Strategic level, indicating development. A red arrow points from the right side of the matrix back to the left, indicating a shift in focus or a return to earlier stages.

Areas of analysis \ Levels of management	Time	Quality	Cost	Relations with customers	Innovations
Strategic	Yellow	Yellow	Yellow		
Tactical	Light Blue	Light Blue	Yellow		
Operational	Light Blue	Light Blue	Yellow		

objective of changes in the management system is to get new or retain existing competitive advantages. Thus, if competition in the market on which the company works is not growing, then there is no incentive to change something fundamentally (e. g. a monopoly). However, when competition is rapidly increasing, as now,

when the number of paying customers is declining, the changes are necessary. The experience of large domestic companies operating in the highly competitive global market can be given as evidence: they have organized both work with clients, and research and development departments long ago.

This refers to companies that were formed on the basis of production capacity and created in Soviet times. It is clear that if a company starts “from point zero”, the first question that the owner or manager must answer is: what’s new and valuable can be offered to a customer? And based on the answer to this question tactical and operational management is organized.

Each square of the above scheme (see figure 4) contains all the basic management functions. That is, for example, there is a strategic, tactical and operational management of time. It includes strategic, tactical and operational

time planning, time accounting and control, etc. And if at the top level one can operate for decades, at the operational one minutes and seconds are often considered.

Having briefly described the sequence of steps that can be taken in the direction of management system development, in conclusion it should be stressed once again that the efficient management system is a powerful competitive advantage of companies. In crisis the system is of particular value, as a tool to interact with the external environment effectively, to achieve the defined goals at the lowest cost and losses.

Notes

¹ Regions of Russia. 2007: stat. coll. / Rosstat. – M., 2007. – P. 824; Russian statistical yearbook. 2007: Stat. coll. / Rosstat. – M., 2007. – P. 619-620.

² Except certain professions.

³ Taylor, F.W. The principles of scientific management / F.W. Taylor [Electronic resource]. – Access mode: <http://ek-lit.narod.ru/tail001.htm>

⁴ The composition of the basic management functions from the time of their discovery by H. Fayol varies. Here is only one of the available treatments, but for the purposes of this study, this fact is not crucial.

⁵ Source: [Electronic resource]. – Access mode: <http://vseslova.com.ua>

⁶ Since we have identified similarities in the calculation of the technical and socio-economic systems efficiency, then we venture to suggest that the effectiveness of the company or organization as a whole (or its structural units) are determined by the product of technical efficiency of management systems’ efficiency coefficient.

⁷ The logical conclusion here is that firstly the management system should be improved by this “weak link” elimination. Then the following «weak link» is defined and also is eliminated, then the next, etc. This approach differs significantly from the generally accepted, i. e. to improve the performance of all management functions at all levels at the same time. It is much cheaper and easier.

⁸ It should be noted that since every organization is an open social and economic system, the resources it draws from its external environment and the results of its work are also directed to meet the needs of the external environment. Under these conditions the organization’s effectiveness depends on the ability of its management system to organize the effective interaction with the external environment to a certain degree. However, these issues require further research and are beyond the scope of this article.

⁹ For example, the data we obtained during the special questionnaire survey of managers shows that in 2008 only 45% of the Vologda region enterprises had a formalized strategic development plan. The proportion of enterprises having ready business plans to implement was at 36%.

¹⁰ As a basis here you can take the structure of senior managers’ time proposed by R.A. Fathutdinov: 40% of the time is devoted to strategic objectives; 25% – tactical, 35% – operational (www.elitarium.ru).

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