

# **Strategic planning and the development of Vladivostok city local economic policy**

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## **STATEMENT OF PROBLEMS OF THE PROJECT**

The project is directed on adaptation of methodology of the strategic analysis to development of cities of the Far East of Russia and development of models of social and economic space of cities on an example of Vladivostok city.

Given purposes are reduced to two subgroups.

First group of these purposes is oriented on revealing the models of social and economic development and the analysis of current “state-of-art” of strategic planning and local economic policy formation of cities of the Far East of Russia. On this part the research is directed on

- establishment of connections and definition of conformity of development strategies of different regions, cities, territories and areas of the Far East to the reforms conducted at a federal level
- revealing interconsistency of strategies of social and economic development of different levels (region – territory, area - city) in the Far East of Russia and development of recommendations on their elimination

For achievement of the first group of purposes the following problems are supposed to be decided.

- ✓ To collect the information on the “state-of-art” and to research current experience of strategic planning in the municipalities on the Far East of Russia
- ✓ To research experience of development of local social and economic policies. To develop the questionnaire, to collect the information on the “state-of-art” of current local social and economic policies at municipal level
- ✓ To analyze the practice of creating the development strategies and local social and economic policies taking into account the hierarchy of territories (area), cities and municipalities
- ✓ To research the consistency of these strategies to each other and discuss the problems of realization of these strategies
- ✓ To create a system of consultations on creating the development of strategies at various levels (district, territory (area), city, municipality) and local social and economic policy for the interested parties

The second group of the purposes is directed on research of models of social and economic space of cities on example of Vladivostok city. It assumes to decide the following problems.

- Diagnostics of key areas of activity of Vladivostok city (the analysis of the internal factors of development) and definition of key trends at the global and Russian levels reflecting macroeconomic, political, social, technological and infrastructural aspects of development for the long-term period
- Revealing the strategic purposes of development of Vladivostok city on following blocks: well-being and a quality of life of the population; competitive economy; opportunities for growth (strategic positioning)
- Description of available resources of development and sources of steady competitive

advantages of Vladivostok city; a choice of strategic alternative of development on the basis of the developed criteria of estimation, the analysis of risks of realization of the model of development

- Estimation of influence of key groups of interests (stakeholders) on realization of the strategy, analysis of conformity to key stakeholders' expectations and to opportunities of the city, including bounds and resources for development
- Development of recommendations on creation of management structure to realize the strategic plan for development of Vladivostok city

## **BASIC CONCLUSIONS**

### **Strategic planning and development of local economic policy on the Far East**

1. On the Far East of Russia there exist about 200 regions, cities and municipalities, in the majority of them

- There is no precise understanding what strategic planning and the strategic plan are
- Strategic planning and local economic policy does not become the mechanism of public participation in local self-management, the importance of involving of all interested participants of city development and the public is underestimated
- The experience and procedures received during development of the strategic plan are not fixed by municipal acts, institutes of realization of the plan are not created
- The efficient managements structures focused on the strategic approach and providing connection of strategic plans with budgetary and other kinds of planning are not formed
- Strategic plans are poorly used as an element of external marketing of city and territory
- In most cases there are no skills of project work of experts, businessmen and municipal employees

2. Existing strategic plans at various levels (territory (area), city, and municipality) are often not coordinated from the point of view of management, the maintenance of specific targets, and in many respects these strategic plans contradict each other. As a result of realization of the project, groups of strategic plans of a various level (territory (area), city, and municipality) are found which are developed on one territory. Typical contradictions for them are revealed and approaches to their elimination are found.

### **Creation of the mechanism of strategic planning and the strategic analysis of development of Vladivostok city**

During creation of the mechanism of strategic planning the working group on development of the strategic plan of Vladivostok city has been divided into 4 working subgroups: society and social sphere; economics and business; city environment, ecology, housing and communal services; interaction with regional and federal structures. Working plan and the schedule of work for these groups have been set.

During the strategic analysis there have been lead the review of the strategic documents acting on territories of city at present; preliminary diagnostics of key subsystems of municipality (the analysis of the internal factors of development). Within the limits of the strategic analysis key trends at global, all-Russian and Far East levels reflecting macroeconomic, political, social, technological and infrastructural aspects of development for the long-term period (the analysis of external factors) are analyzed.

The primary goal of the strategic analysis was to find answers on these questions.

- What basic external factors will define development of economy of Vladivostok city in the nearest 15-20 years?

- What risks and boundaries of development exist?
- What opportunities for economic growth exist?

### *External factors*

Three groups of factors concern to the basic external factors defining development of economy of city in the following of 15-20 years.

**First group** - global factors which are formed during development of the international community: global economic system, political attitudes, technological ways, ecology, public attitudes. The given factors and conditions are formed outside Vladivostok city, however these factors essentially influence on the city development. At the same time opportunities of influence on them from institutions of local government, from economical and other activity of agents of Vladivostok city are very small.

**Second group** – internal all-Russian factors. They are formed within the limits of development of the Russian economy, administrative management, political system, institutional development, social sphere and environment. The degree of influence on them from Vladivostok city agents is essentially limited.

**Third group** of factors has regional value and is defined by a condition, tendencies and prospects of development of district of Russian Federation which structure includes the city of Vladivostok city, i.e. Far East federal district and Primorye Territory. The authorities and other active participants of development of city of Vladivostok city can render the certain influence on formation and display of regional factors and conditions.

### *Factors of the first group*

Among the most significant tendencies **of international situation** which has influence on all the Russian territories including Vladivostok city it is necessary to underline the following.

- An aggravation of a competition for the right of the best conditions of access to the major resources of development of mankind: natural, labor, financial and other
- The further strengthening interdependence of development of the countries, regions and cities in conditions of globalization
- Preservation of essential disproportions in levels of development of the various countries, regions and cities
- Strengthening technological pressure of the countries possessing new technologies and aspiring to fix these competitive advantages on long prospect
- Increase of the importance of formation of the economy based on use of knowledge, strengthening of a role of innovations, the high technology and hi-tech sectors of economy

Besides the general for all Russian regions and cities channels of influence of the international factors, Vladivostok city outstands for a number of features.

First, in conditions of an aggravation of contradictions inside the NIS countries last years, strengthening of the European-Asian component in foreign policy of Russia is traced. A real embodiment of this is the formation and the vigorous activity of such international organizations as the Shanghai organization and the European-Asian economic community. Developing the given direction of foreign policy, Russia (in particular, with use of transport opportunities of Vladivostok city) with greater benefit will use the strategic competitive advantages of the "bridge" connecting the Europe and Asia.

Secondly, Vladivostok city is located in frontier/transboundary territory. The affinity to Japan and South Korea and also actively developing China Republic predetermines necessity of taking into account the processes occurring in these countries. In wider aspect geo-political position

of Vladivostok city defines interaction not only with the countries of Southeast Asia but also APEC countries.

Thirdly, in economy of Vladivostok city enterprises play the essential role, its activity is influenced substantially with processes and the tendencies formed on the international commodity markets and services. In this connection, a degree and directions of influence of the international factors on development of city of Vladivostok city it should be considered, mainly, through a prism of two these directions.

For Vladivostok city the following economic and financial factors will matter.

- Rates of growth of global economy and a condition of the financial markets
- Situation on the international markets of oil, gas and metals
- Entering of Russia in WTO, possible bounds for the Russian enterprises and authorities in sphere of realization of foreign trade

For Vladivostok city during 2007-2020 the following technological and ecological factors of development of economy will play substantial role.

- Preservation of technological ways in traditional industrial sectors at simultaneous increase of tendencies of economy of all kinds of the resources used in manufacture, and replacements of traditional kinds of raw material and finished goods by alternative (bio-fuel, polymers, energy of the sun, a wind and so forth)
- Essential toughening ecological standards that will lead to necessity of realization of greater capital investments and use of environmentally safe technologies
- The accelerated rates of growth of world trade and development of logistical technologies that will create good opportunities for use of competitive advantages of a favorable site of Vladivostok city and its role of the large transport center
- Further growth of rates of goods and services consumption creates good preconditions for enterprises development of Vladivostok city

During 2007-2020 significant influence to Vladivostok city will be rendered with following global socially-demographic tendencies.

- Preservation of high differentiation among the countries, regions and cities on standards of living will cause migratory activity of the population
- The further increase in consumption of material goods will aggravate environmental problems (export and recycling of waste, growth of emissions)

#### *Factors of the second group*

In group **of the all-Russian** external conditions and the factors influencing development of Vladivostok city it is necessary to allocate the following especially.

- Tendencies in the field of the state construction and regional politics, including inter-budgetary attitudes
- Rates of growth of the Russian economy
- Inflation rate
- Dynamics of real exchange rate of national currency
- Demographic situation (including priorities of migratory politics)
- Conditions of realization of the foreign trade activities, influencing changes of volumes and structures of export and import
- The order of reforming of natural monopolies and dynamics of growth of tariffs for their services and volumes of production
- A course of realization of reform of housing and communal services

For Vladivostok city all-Russian economic and financial factors influence as a whole will have positive value. On the one hand, the further expansion of financial opportunities of the state and local self-management will allow the realization of the most important city programs and projects. As a result of economic activities the enterprises can increase production of goods and services.

#### *Factors of the third group*

Primorye Territory has favorable geo-politic position that predetermines its natural competitive advantages to active involving in integration processes of inter-regional and international cooperation, and also development of transport infrastructure. Considering frontier position and the big economic potential Vladivostok city can play these processes a great role. Being the largest industrial centre of Primorye Territory, the city of Vladivostok city can become the locomotive of putting the economy of the whole region on new hi-tech "rails".

The reform of management at all levels of authority will render positive influence for work of institutions of local government of Vladivostok city. Efficiency of interaction with federal and regional authorities, private business and public organizations will rise. Rules and standards of municipal services will be developed.

As a whole, the level of development of Primorye Territory, the tendency and prospect of its condition in the future create quite favorable conditions for Vladivostok city.

**The most significant external factors influencing development of Vladivostok city are the following.**

- The development of Vladivostok city will highly depend on foreign policy and external economic attitudes with China, boundary and migration policy of Russia
- Natural demographic trends such as ageing of the population, population shift in large cities, migratory external pressure from the countries with increasing population
- Among the all-Russian and regional factors it is necessary to allocate system of inter-budgetary attitudes and models of allocation of budgetary funds for development of infrastructure

#### *Risks and boundaries of development*

Results of questioning of the population, youth and experts of city allow designating following painful points in development of Vladivostok city

- Public health services
- Roads
- Housing and communal services
- Formation
- Ecology and wildlife management

Almost the quarter of inhabitants of Vladivostok city would like an opportunity to leave the city, thus among youth the given parameter makes 48.1%.

Principal causes of desire to replace a residence are absence of prospects for professional growth (16%), absence of work (10%), bad ecology (16%), and also absence of visible prospects of development of city (8%) and not comfortable residing at Vladivostok city (8%).

Risks and boundaries of development of the city are

- Main risks are connected with narrow specialization of economy - formation of a profitable part of municipal budget in many respects depends on results of activity of a small amount of the large enterprises of Vladivostok city

- Serious bounds of development is low birth rate, high death rate and decrease in population
- Already now business face with shortage of the qualified personnel, adequate replacement of professionals leaving on age does not act
- A high level of environment pollution such as air pollution, ground and water sources by industrial enterprises and absence of system of clearing constructions is a risk factor for health and well-being of city and the factor of outflow of the population
- The acute problems of development of city concern deficiency of financial assets, rather low wages, insufficient level of activity of the population, weakness of a civil society, outflow of youth and qualified personnel
- Youth criminality
- Problems for development of small business is corruption and absence of business-education and backwardness of entrepreneurs skills, «dependant consciousness » of the population
- High deterioration of available housing and worsening condition of engineering networks, especially electric, thermal and sewer system

### *Opportunities for growth*

There are serious bounds for the high rates of growth of economy due to use of internal resources of city (manpower, investments, etc.). For a new level of economic development it is necessary to involve external investments and to master new technologies and the perspective markets.

Economic growth is possible in following directions.

- Strengthening of the basic existing industrial enterprises which can export its production on Russian and world market
- Development of the transport and logistics services focused on service of trans-boundary streams of cargoes and people
- Development of administrative functions of city as within the limits of the capital status in Primorye Territory and at a level of all Far East
- Development of small business in sphere of services, leisure, entertainments, physical cultures, trade

Priority strategic directions of Vladivostok city development are

- Improvement of labor resources provision
- Creation of necessary conditions for strengthening health of all the population in the city and improvement of ecological situation
- Formation of the new management focused on development
- Increase of efficiency of use of ground resources (territory of city)
- Creation of favorable conditions for formation of healthy youth
- Decision of local residential construction problems
- Gardening and an accomplishment of city
- Improvement of urban transport, construction of traffic intersections and the bridge through the Gold Horn Bay
- Reforming housing and communal services with the purpose of improvement of quality of services and decrease in tariffs