

**The development of municipalities of the Kaliningrad region
under the condition of exclavity**

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Industrial and economic development of the countries bordering on the Kaliningrad region, as well as a rather fast enlargement of the European Union has drawn special attention to the problem of strategic planning and management.. At the beginning of the 1990s, the Kaliningrad region did not differed much from the Baltic states in the key parameters describing the level of its social and economic development, i.e. GDP per capita, population incomes, and the development of the social infrastructure. During the next fifteen years, especially in 2000, the region considerably lagged behind in all the basic macroeconomic indices, defining the quality of life.. Given the emerging market economy and the increasing integration of the Baltic States into the European Union, the Russian exclave appeared to be less competitive than its neighbours in the Baltic Sea region. At that time the Kaliningrad region did not have a strategy for its development, which was adequate to the situation.

At present the major aim of the Kaliningrad regional authorities and business circles is achieving a high level of competitiveness of the region, given both the national and, what is more important, global market conditions..

Strategic planning of the social and economic development of the Kaliningrad region has its specific characteristics formed by the interrelation of the general principles of strategic planning and a specific geographic location of the region. The Kaliningrad region is a rather small region of the Russian Federation. The territory of the region is 15,1 thousand sq. km. Its population is 934 thousand people (77 % of the population is urban).

The Kaliningrad region is unique in its geographical location. It is the only region of the Russian Federation separated from the mainland of the country by the territories of two independent states and international territorial waters.. The geographical location of the region complicates its communication with other Russian regions and entails quite a few other problems. On the other hand, the Kaliningrad region is situated in the west of Russia and,

hence, its proximity to industrially developed European countries - potential commodity markets and sources of investment.

The Kaliningrad region is the only free economic zone in Russia (a special economic zone since 1996). Since the very beginning and up to the present time, the special economic zone in the Kaliningrad region enjoys customs privileges.

The region is a part of the Baltic Sea region and the location of the region predetermines its strategic potential and importance for Russia, particularly taking into account the fact that the “Baltic pole of growth” is the most dynamically developing area of modern Europe. So, the North-West district of Russia plays a key role in the development of the national economy as such.

During the four years (2002-2005) GRP of the Kaliningrad region grew by 51 %. The growth rates exceeded the average for Russia (26,3 %). The major factor determining the growth of GRP in the Kaliningrad region is a substantial growth of the added value in the regional industry. The share of various branches of the regional economy in the GRP in 2005 is given below.:

- industry - 31,9 %;
- trade and public catering - 14,4 %;
- transport and communication - 11,0 %;
- agriculture and forestry - 6,2 %;
- construction - 8,9 %.

One cannot but note an increase in the share of services - trade, transport and communication - in GRP in comparison with 2001. The share of the service sector in the GRP in 2005 was 48,6 % compared to 45,8 % in 2001. The index of industrial production in 2007 was 140,3 % compared to 2006 (the average figure for other Russian regions was 106.3 %). The Kaliningrad region builds more square meters per capita, than any other Russian region. These are positives developments in the regional economy, considering a high growth rate of the volume of industrial production.

A comparative analysis of the growth rate of the Kaliningrad region and Russia in their basic economic parameters shows a sustainable development of the region. Higher rates of economic growth in the Kaliningrad region single it out from other Russian regions. The

situation in the region and around it shows a gradual levelling of the difference in the basic economic and social parameters between the Kaliningrad region and the Russian Federation, as well as between the Kaliningrad region and European countries.

A new step forward to the development of the Kaliningrad region is the setting up of strategic goals and achieving them, the main goal being macro economic competitiveness of the region. This task cannot be fulfilled only by making use of favorable “external” conditions - for instance, customs and tax privileges and the region’s unique geographical location. The necessary conditions for the development of the region in this case are “internal” factors, i.e. - labour productivity and capital, quality and the sources of growth – the new “portfolio of resources” which are being used by the region now.

The main task for the Kaliningrad region today is its productive and effective integration into the economic, industrial, technological, transport, cultural and migratory system of the Baltic Sea region.

Undoubtedly, regions are strong when they have strong municipalities.

Therefore, it is impossible to effectively solve the problems of social and economic development of the region without the dynamic development of the region’s municipalities. The role of municipalities is becoming more and more important in the modern world.

In order to be sustainable municipalities have to use new development and management mechanisms in their competitive struggle for investments and labor force.. New state-private partnership schemes should be used for solving all emerging problems at the municipal level. New methods of strategic planning are an integral part of the schemes.

The development of the municipalities of the Kaliningrad region is characterized by a high degree of their involvement in international cooperation. Now, the municipalities of the Kaliningrad region take part in four euroregions: "Neman" (together with the Grodno region of Belarus, Podlasky voivodship of Poland and three regions of Lithuania), the euroregion "Baltic" (Pomor and Warmia and Mazury voivoships of Poland, the Liepaja region of Latvia and the city of Liepaja, the Lithuanian city of Klaipeda and the Klaipeda region, the Danish island Bornholm and the Swedish provinces Krunuberg, Kalmar and Blekinge), the euroregion “Saule” (with the participation of several Lithuanian, Latvian and Swedish regions) and the newly created "Lava-Lyna" (with the participation of border territories of Poland).

The euroregion "Baltic" created in February, 1998 has succeeded more in its development than other euroregions with the participation of Kaliningrad region municipalities. Formally, the euroregion includes the whole territory of the Kaliningrad region, as the Association of municipalities of the region is one of the participants. Baltiysk municipality has always played an active role in the work of this euroregion. Practical activities of the euroregion "Baltic" are organized by three working groups: the working group on regional development and spatial planning, the working group on social issues and cultural exchange, and the one on environmental protection. Several decades of the development of euroregions in the EU have shown their efficiency as a tool of cross-border cooperation, used both for strengthening cultural contacts, as well as for implementation of various economic projects. The direct effect of the euroregion projects is in the implementation of concrete projects, usually local and regional ones.. The indirect effect is much more important – the development of cooperation promotes informal contacts between representatives of the regional and municipal authorities and business, and raises awareness of foreign businessmen of the border areas of Russia and the country as a whole. It results in better political relations between the neighboring countries as well as in better investment and trade contacts.

The Kaliningrad region is in the focus of the foreign policy of Russia, particularly in its dialogue with the European Union. No wonder all “crisis” situations in Russia - EU relations instantly affect Kaliningraders. Therefore, special attention is paid to maintaining good-neighborly relations with the neighboring countries.

Now a new approach to regional strategic planning has been elaborated by the federal authorities. The essence of this approach is that regions of the Russian Federation are responsible for the elaboration of complex programs of their social and economic development, including their own strategies for social and economic development, and special schemes of spatial planning. This approach is supported by municipal authorities and the implementation of these programs has already begun. However, municipal authorities have different approaches to strategic planning, so it has brought a greater degree of uncertainty in defining strategic goals in each municipality.

The formation of the concept of prospective strategic development of territorial social and economic systems is a complex process. Its implementation demands application

of certain principles – the principles of purposefulness, sociality, integration, systematicity, adaptability, efficiency, minimization of risks, balance of interests, legitimacy, democracy professionalism and the principle of the so-called “the first authority”. Provided these principles are applied, maximal social and economic effect can be achieved as a result of the implementation of any strategy.

Having analyzed the presented strategies, we have come to a conclusion, what only some of the above-named principles were taken into account in the elaboration of the development strategies. Besides, there is no single regional data base system which can only function if there is competition between municipalities..

It is essential to study international experience and best practice in order to work out a sustainable action plan aimed at the development of the regional strategic planning and raising the attractiveness of the region for investors. This analysis allows to single out a number of essentially important characteristics of strategic planning, including the ones that have appeared recently:

1. institutionalization of the process of strategic planning. There is a tendency to set up special bodies responsible for strategic planning and improvement of investment climate;
2. more attention given to the development of strategic plans for local communities. It can be explained by the process of decentralization of decision-making concerning social and economic development;
3. testing a new approach to spatial planning. The basis of the new approach is technology, integration of strategies developed at every level - that of a municipality, a province and the federal government;
4. actualization of traditional zones of strategic vision. Entrepreneurship plays a unique role in the economic development of territories (regions, municipalities). In all development strategies special attention is paid to raising the level of competitiveness, first of all, in the field of new technologies, biotechnology, information technologies and telecommunications. Considerable support is given to an innovative component of business.
5. strengthening external economic cooperation in regional development planning. The basis of this tendency is economic globalization, seen in internationalization and

intensification of economic relations. Globalization has a multifold influence on the economy of all countries. It influences service and goods production, labor force, investments in capital funds, human capital and technologies. It affects industrial and labor efficiency, as well as competitiveness of companies.

Some special measures which can be further subdivided into institutional and subsidiary are to be implemented in order to improve strategies and raise investment attractiveness. Moreover, the federal and regional levels are to be specified.

The federal level is responsible for two important issues: energy safety of the Kaliningrad region and signing an agreement on the viability and development of the Kaliningrad region. Both regional and federal authorities have recognized the importance of such an agreement. It is vital to show the importance of this agreement to European partners. It can serve as a foundation for a Partnership and cooperation agreement between Russia and the EU.

Institutional measures to be taken at the regional level are the following ones:

- establishing special bodies in the municipalities of the Kaliningrad region which will be in charge of strategic planning;
- organizing a trilateral seminar for representatives of the Kaliningrad municipalities, the Government of the Kaliningrad region and experts working for international projects in order to elaborate common principles of strategic planning;
- elaborating new indicators for the system of planning: clean rivers, wild bird population, new housing and the quantity of produced and recycled wastes.

Subsidiary measures are the following ones:

- promotion of the Kaliningrad region with the help of presentations for foreign and Russian investors;
- forming a system of strategic planning based on the principle “bottom – up” ;
- attracting entrepreneurs and setting up technoparks, business incubators on the basis of municipal education institutions.

On February 8, 2008 the president of the Russian Federation in his speech “On strategic development of the Russian Federation up to 2020” made at the meeting the State Council of the Russian Federation set an ambitious task – to improve the quality of life of the Russian society as the whole by raising the efficiency of the national economy and social sphere. Only then can Russia become one of the world leaders in the field of technologies.

It is quite obvious that the Government of the Russian Federation should adopt a strategy for the economic and social development of the country up to 2020 in order to specify the ways of achieving the set tasks.

The mechanism of this strategy elaboration is really important. The president stated that only a consolidated and united society can implement it. That is why, our long-term goals must be clear to everybody, must be supported by all citizens of our country. These goals are to be widely discussed in Russia.

It’s also important to point out that the regional component of the strategy is considered to be a priority.

First of all, it means a refusal of centralization. A future system of state management will be characterized by independence, liability, dynamic development that will be in line with the general ideology of the development of the country.

Secondly, we have to enter a new stage in the country’s regional policy, which is aimed at real, not formal equality of all the subjects of the Russian Federation. This equality is to guarantee sufficient resources for every region in order to ensure decent life conditions, as well as complex development and diversification of the economy of the regions.

The development of the Kaliningrad region is to be discussed within the presented framework. The development of the region is an integral part of the development of the country since it both defines and relies on the development of Russia, and is based on innovations and technological development.

The message of the President’s speech is that we have to break away from the inertia scenario of the country’s development. This scenario inevitably leads to the dependence of Russia on imported goods and technologies and to performing the role of a country exporting raw material. It can lead to only to economic retardation. President Putin formulated an innovative strategy for the development of the country - the pace of innovation development

must be much higher than it is now. The implementation of this innovative scenario will enable the country to significantly increase labor productivity. Labor productivity must be increased fourfold in all the major sectors within the period of 12 years. It can only be achieved by using innovative methods of planning and management at every level, including the municipal level.

The Kaliningrad region has always been open to new ideas in the sphere of social and economic development and territory management. Innovative methods of regional management which may facilitate a real break through are being already elaborated in the I. Kant State University of Russia.