

## **TALKING POINTS, YU. V. OSINTSEV**

**State Secretary, Deputy Minister of Regional Development of the Russian Federation  
OECD 8<sup>th</sup> Rural Development Policy Conference  
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### **Distinguished Mr Chair, Ladies and Gentlemen, Dear Delegates,**

On behalf of the Government of the Russian Federation and the Ministry of Regional Development, I would like to thank all the persons present for having accepted the invitation to attend the Organisation for Economic Co-operation and Development's 8<sup>th</sup> Rural Development Policy Conference.

I would like to welcome all its participants in Siberia, on the hospitable Krasnoyarsk land.

In 2009, in Québec, Canada, we introduced Russia for the first time regarding a very important topic, diversification of economy in rural areas, in Russia's single industry towns in the context of the global financial crisis.

Experience and knowledge gained in the past years during past meetings and discussions with the OECD Committees helped us very much address challenges in the social and economic sphere of activities in Russia's urban areas and regions.

I reckon that during this Conference we will be able to not only exchange experience but also discuss in a substantive and meaningful manner the key issues of

- Modernising further the rural economy;
- Promoting innovation;
- Enhancing co-operation in trade and production;
- Developing small and medium entrepreneurship;
- Enhancing competitiveness;
- Overcoming budget constraints;
- Strengthening their financial support management frameworks.

### **Distinguished Ladies and Gentlemen,**

Russia is currently in the process of across-the-board modernisation based on the maximum fulfillment of human potential.

In recent years, the Government of the Russian Federation approved strategies for development of all the federal okrugs (micro-regions) of the Russian Federation, prepared strategies for development of constituent entities of the Russian Federation, and approved the Strategy for Innovative Development of Russia until 2020.

Draft Federal Law on Strategic Governance was submitted to the Government of Russia.

The main purpose of the policy papers is to develop high living standards both for doing business and for comfortable livelihood in Russia, and specifically in the Urals, Siberia, and the Far East, over a ten-year period.

All of that, clearly, is consistent with the mission of the OECD, the main motto of which is: **Better Policies for Better Lives**. It is also a task set in Russia now.

**Regional development policy issues are a top priority in all the underlying strategic policy papers of the Government of the Russian Federation.**

The Ministry of Regional Development of the Russian Federation prepared a draft Regional Policy Concept Paper which should support the preparation of the Regional Policy Strategy of the Russian Federation.

The draft sets national policy priorities, targets for social and economic development of federal okrugs and regions, and indicators and provides for continuous monitoring of urban areas and settlements with an emphasis on single industry towns in distress or in high-risk areas.

Particular importance is attached to Siberia, Trans-Baikal, and the Far East as far as the issues of accelerated assimilation and development of territories are concerned.

The Ministry for the Development of the Russian Far East was established this year.

Vnesheconombank set up a special direct investment fund OAO **Fond Razvitiya Dalnego Vostoka i Baikalskogo Regiona** [Fund for the Development of the Far East and Baikal Region] to develop the Far Eastern regions.

The Ministry will prepare a draft Programme for Development of the Far East and Trans-Baikal until 2025 by end-2012.

Russia's geography is unique. It borders on all the key global trade markets in the world – the European Union and Asia and the Pacific – through international transport corridors: TRANSSIB and European-Pacific corridor (London-Paris-Berlin-Moscow-Tokyo).

Work in the area is underway within the framework of the Sea Transport Sub-Programme of the Transport System Development in Russia until 2030 FSPP [Federal Special-Purpose Programme].

The Ministry of Regional Development of Russia established a **state federal area planning information system** this year which will become a common publically-available information resource.

First and foremost, area planning scheme for Russia's transport complex has been entered in the federal information system due to its scale and relevance.

Area planning systems in Russia's energy sector, health care, education, and security are being finalised now.

Area planning schemes are being finalised in 83 Russia's regions in all its federal okrugs.

Likewise, area plans are being finalised for almost all of Russia's urban areas which will serve as a basis for their future development insofar as their

engineering, transport, and social infrastructure to set up production sites and for housing construction purposes.

We have been improving town-planning policies in major regional agglomerations, at the same time promoting rural lifestyle.

One of the purposes of urbanization is to link rural areas to agglomerations by means of transport arteries which should become instrumental in the inter-regional and inter-municipal co-operation (establishment of regional road funds).

Main factors affecting strategic investors' decisions to set up production in Russia include availability of skilled labour.

Therefore, the Russian President set the task to create 25 million high-quality highly productive jobs in Russia by 2025 both by modernising the production facilities already in place and by setting up new sites.

The state, business community, regions, and the entire society have joined their efforts now because implementing the project is for the benefit of all of Russia.

### **Distinguished Colleagues,**

The topic of our conference is important to all:  
**Innovation and Modernising the Rural Economy.**

In Russia, “rural areas” imply not only villages but also single industry urban settlements.

Many countries faced the problems of single industry towns; however, each country restructured its economy in its own way on the basis of forming single industry town development institutions which aimed to diversify the economy, design innovative technologies, improve quality of life of the population, and lower risks in the external environment.

Currently, there are more than **23,000 urban and rural settlements** in the territory of 83 constituent entities of the Federation in Russia, **333 of which are considered to be single industry settlements**.

In terms of their pattern, single industry settlements where **about 20% of the population reside** is a rather complex conglomerate of urban areas which vary in number and competence level of their residents and in complexity of production at town-forming enterprises.

#### Population Pattern of Single Industry Towns:

- 0 to 5,000 - 49 single industry towns
- 5,000 to 20,000 - 103 single industry towns
- 20,000 to 50,000 - 97 single industry towns
- 50,000 to 100,000 - 53 single industry towns
- Above 100,000 - 30 single industry towns

The largest number of single industry towns is

concentrated in the Central and Siberian Federal Okrugs, Urals (Sverdlovsk and Chelyabinsk Oblasts) and Privolzhsky (Samara and Nizhniy Novgorod Oblasts and Perm Kray) Federal Okrugs.

Some of the single industry settlements are located in the unfavourable weather and climate conditions of High Arctic – Norilsk (Krasnoyarsk Kray) and in the Far North (Magadan Oblast, the Republic of Sakha (Yakutia), Amur Oblast, Trans-Baikal Kray, Chukotka Autonomous Okrug, Irkutsk Oblast, Kamchatka Kray, and Sakhalin Oblast).

**Four hundred and forty-two town-forming enterprises** are concentrated in single industry towns.

Many of them are a part of major holding companies, such as OAO SUEK, OAO SEVERSTAL, OAO Bazovy Element, OAO METCHEL, RUSAL, and of a number of state-owned concerns, ROSTEKHNOLOGII, ROSATOMENERGO, and branch offices and subsidiaries of such as OAO Russian Railways and OAO GAZPROM.

In a number of industries, up to 70% of their facilities are concentrated in single industry towns.

Those are major enterprises of ferrous and non-ferrous metallurgy, defence and chemical industry, fuel and energy complex, lead machine-building plants, and enterprises engaged in the extraction and processing of natural resources.

The work is carried out by public development

financial institutions through participation of the enterprises in setting up innovative clusters; implementation of programmes for small and medium business development in single industry towns which include setting up industrial technological parks and state support for innovation and inventions.

**Public Development Institutions:**

*GK Vnesheconombank, OAO ROSNANO, Russian Venture Company, Fund for the Promotion of the Development of Small Businesses in the Sphere of Science and Technology, OAO RosBR, Development Fund at the Center for Design and Commercialisation of New Technologies, Association of Innovative Regions, etc.*

The main objective of the plan of actions to ensure comprehensive support of single industry towns' economy implemented by the Government of Russia has been implemented since 2010 – it is to create alternative jobs unrelated to town-forming enterprises.

During the first two years, more than 100,000 jobs were created in 35 single industry towns.

By the way, setting up tourism and recreation clusters and establishing greenhouse facilities with a complete cycle of vegetable farming products processing creates a large number of jobs.

**We regard as problematic towns where unemployment rate is above 4%.**

**Proceeding from that criterion, we have 21 problematic towns now (as of 1 August 2012).**



The Ministry of Regional Development of Russia developed a methodology for preparation of Comprehensive Investment Plans (CIPs) in order to modernise single industry towns in a comprehensive manner.

“Social and economic environment” was tested on its basis and ways of diversifying the economy of single industry municipal formations were developed. Each of the 333 single industry towns has a **CIP** now.

Over two-year period, the state supported **50 urban areas**. Thirty-eight projects were selected for implementation. Investment of the order of RUB 440 bn will be necessary for their implementation.

We believe the government policy should support innovation both at large and medium and small enterprises because they all play a decisive role in the innovative systems and often complement each other.

Notably, it concerns innovation not only in the high-tech industry but also in low-technology production and in service industries.

Future prospects of existence of single industry towns are related to:

- The development of, and support for, town-forming enterprises;
- Emergence of new economic sectors;
- Identification of “regional growth points”;

- Development of alternative economic industries;
- Search for new areas of specialisation and diversification of regional economy, taking into account its natural, economic, social, and cultural specificities.

The Concept Paper on Long-Term Social and Economic Development of the Russian Federation provides for establishment of a network of area production clusters to fulfill the areas' competitive opportunities.

That will provide a mainstay for emergence of advanced growth areas in various regions in Russia, of **“innovative growth points,”** and for the development of **“regional competition poles.”**

Development of regional agglomerations, and there are about twenty of them in Russia, will help achieve synergies.

French state association for promotion of transfer of economic and finance technologies, **ADETEF**, helped us very much in setting up work to develop regional clusters (**“competition poles”**).

First group of areas which **comprises twenty-five innovative regional clusters** has been formed in Russia as of today (**77 applications were filed**).

The clusters include **four single industry science towns** with high-tech production facilities and major

innovative potential: **Nizhnekamsk** (the Republic of Tatarstan), ZATO [closed territorial administrative formation] **Seversk** (Tomsk Oblast), ZATO **Sarov** (Nizhniy Novgorod Oblast), and ZATO **Zheleznogorsk** (Krasnoyarsk Kray).

### **Distinguished Ladies and Gentlemen,**

In conclusion, I would like to underscore once again that Russia is faced now with the challenge of modernising the state and its economy in the era of globalisation based on the 21<sup>st</sup> century standards.

We must find ways to use efficiently **national development resources**, human and natural, and free capital for the purposes of modernising the rural economy.

In doing so, the challenge of enhancing the competitiveness of regions, urban and rural settlements, becomes overriding.

I believe that organising such an event as 8<sup>th</sup> Rural Development Policy Conference in the Russian Federation will help adopt even more systemic and effective approach to developing our future co-operation regarding various issues of economic and social life.

I think it will provide additional impetus to Russia's integration in the OECD and new ideas and recommendations you will formulate will be applied in practice and will help improve the quality of life of not

only Russians but also of people in other countries.

**I wish you success and fruitful work.**

**Thank you.**