

4.3 SOCIOECONOMIC DEVELOPMENT PRIORITIES

The priority areas of Pskov Oblast socioeconomic development are listed below:

- continued improvement of quality of life of the people on the base of steady economic development and ever-increasing budget receipts;
- development of transport corridors and logistic nodes;
- development of wood-working and dairy sectors (clusters);
- development of engineering industry and establishment of oil-refining sector;
- development of powerful tourist sector.

4.3.1 Medium-term goals and key targets

Dealing with the challenges the oblast is facing is determined as the core strategic goal of the regional authorities – *to create conditions for overcoming negative economic, social and demographic trends throughout Pskov Oblast and to take advantage of the region's border location.*

In order to achieve this goal, it is necessary to meet the following **key targets**:

Creating favorable investment and entrepreneurial climate by way of institutional changes based on:

- creating favorable environment for entrepreneurship in rural areas as a result of increasing quality and effectiveness of regional government support (measures to loosen administrative obstacles encountered by entrepreneurs, such as 1) creating a center for simplified incorporation following the principle of “single registration window”; 2) developing and introducing advanced investment methods [all kinds of leasing, franchising, venture capital]; 3) improving current system of small business taxation, in particular in rural areas);
- de-bureaucratization of the economy, which suggests streamlining of the controlling and supervising functions of the State and reducing regulatory bodies interference in entrepreneurial activity;
- enhancing efficiency of state ownership and public finances management; ultimate transition to the treasury system of budget performance.

Creating favorable social climate for vital activity and healthy life-style of the people based on:

- developing health care system;
- developing educational system;
- developing and technical re-equipment of sports centers;
- developing a network of orphan boarding schools and rest-homes for old people and disabled persons;
- implementing measures aimed at improving social welfare of the needy;
- pursuing employment protection;
- establishing a system of inbound and inland tourism, making sure the tourist business covers the unsurpassed masterpieces of the regions' historical and cultural heritage;
- preserving and developing cultural heritage and creative opportunities of the oblast;
- developing a system of consumer credit on easy terms to subsidize housing construction and purchase.

Arrangement for regular operation of utility services sector based on:

- adopting energy-saving and energy-efficient technologies;
- streamlining accounting transactions and reducing distribution costs of housing and communal enterprises;
- introducing a system of targeted financial support for impoverished society groups;
- improving the quality of utility services rendered to population.

Creating favorable conditions for industrial development based on:

- preparing regional industry for the country joining the WTO and preventing negative consequences of the entry;
- creating conditions for economic diversification of the region's districts;
- furthering technical re-equipment and application of advanced technologies for large-scale processing of raw materials;
- developing innovation infrastructure;
- developing home markets (above all, the markets of Moscow, Saint-Petersburg, and raw stock producing regions of the Russian Federation) and ensuring strict conformity with technological and consumer standards.

Creating favorable conditions for steady growth of agricultural output, significantly improving economic efficiency of agrarian sector, enhancing living standards in rural areas.

Creating favorable conditions for the development of transportation network as a key connecting-link in interregional and international relationships.

Taking comprehensive measures to sustain environment, to prevent ecological damage and emergency situations:

- diminishing pollution agents dumping into the sea;
- providing community with high-quality drinking water;
- reducing the degree of atmospheric air pollution;
- reclaiming and recycling toxic waste generated by industrial enterprises;
- arranging for household waste disposal;
- developing information systems of nature management and ecological monitoring;
- preventing environmental degradation;
- encouraging environmental awareness and education.

Creating favorable conditions for interregional and international relationships development and for engaging the region into the Russian and world economy, science and culture.

Achieving by 2010 a 28% growth of the gross regional product in comparison with 2003 (solely as a result of the Program implementation).

Organizing a powerful regional wood-working cluster as a result of the launch of pulp and paper plant with annual capacity of up to 600 thousand tons; arranging for fuel pellets production made of timber-processing waste.

Developing power economy of the region; significantly reducing fuel consumption rate and energy cost owing to the upgrade of two power generating units of the Pskov heat power station by superposing gas-turbine facilities; putting into operation the third combined-cycle plant of the Pskov heat power station; petroleum refinery construction near the city of Velikiye Luki.

Organizing a large tourist cluster enabling to take the most advantage of the region's unrivalled historical and cultural heritage.

Raising a supplementary wages fund providing the region's employees with extra accumulative income of no less than 2.5 bln. rubles until 2010 and of 6.5 bln. rubles by 2015.

Creating at least 6 thousand jobs and securing at least 11 thousand jobs currently in place.

4.3.2 The framework of program initiatives

The regional target program with federal authorities participation entitled “Economic and social development of Pskov Oblast for 2006-2010” is supposed to be implemented in a number of interrelated areas, with activities being effectively coordinated and sufficiently funded.

According to the Program, 90 investment projects and 132 not-for-profit activities should be implemented until 2010.

Key measures to improve regional legislation are concerned with transportation sector, energy-supply, investment climate, financial policy, institutional environment, market and social infrastructure, community development. Improving legal regulation at regional level includes adoption of legislative acts dealing with culture, health care, education, utility sector, ecology and nature management, as well as with critical issues of fuel-energy and transportation sectors influencing investment climate of Pskov Oblast.

Projects and initiatives focusing on **support and development of health care institutions** in Pskov Oblast address the population's urgent demand for medical service. The most part of the projects built into the Program are designed to help such areas as construction, re construction and technical re-equipment of functional patient care institutions.

The implementation of projects and initiatives focusing on **support and development of educational institutions** will help to enhance material and technical supply of educational centers and organizations of the region, to achieve high standards of education of the youth, to train highly skilled employees, to supply instructional and research facilities, and to improve academic methodology. Particular attention is paid to improving scientific and technical supply of higher education institutions, as well as to ensuring fire safety and dealing with terrorism.

Looking at the area of **telecommunications**, the major projects are those of Pskov radio-broadcasting station construction and on-air high-definition digital television broadcasting. The implementation of these initiatives will enable to significantly increase population coverage of TV and radio broadcasting and to improve the quality of TV and radio signals reception. Moreover, Russian-speaking population of Estonia and Latvia will be offered an opportunity of receiving Russian state TV and radio programs. In addition, the Program involves developing telephone communications of the city of Pskov, installation of telephones in all settlements of the region, building fiber optic communication channels, and a number of other initiatives.

In terms of **transportation network development**, the Program involves measures to reconstruct bridges across main water-ways of the region enabling to significantly increase motor roads traffic capacity; initiatives to upgrade equipment of motor transport enterprises engaged in urban, suburban and intercity passenger traffic; to construct industrial premises; to purchase and mount equipment for customs terminals; to upgrade the fleet of cars and trucks for international freight service, etc.



An important factor of achieving the goals specified in the Program is integrated development of **construction and building industry** of Pskov Oblast. In order to perform this task, the Program suggests organizing production of porcelain stoneware, cored slabs, pillars, girth rails, special purpose ceramics and other building materials and fittings on the base of operating enterprises of the region.

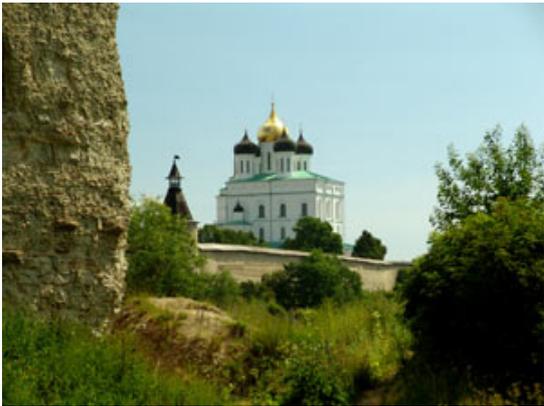
In the framework of Pskov Oblast export potential development, the Program suggests establishing wood-working plants and building a pulp-and-paper mill.

The region also seeks to develop **high-tech industry**. Specifically, there are plans to develop and diversify a number of industrial enterprises producing mechanical drives, electric motors, fire-safe electric cables, self-carrying insulated wires, etc. The Program suggests that Pskov Oblast enterprises branch out into making refrigerators and freezing chambers, cooling and air-conditioning systems components, cooking hoods and other goods.

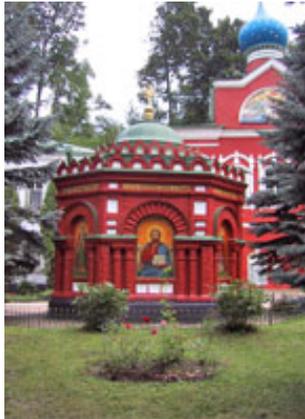
As Pskov Oblast is one of the regions of high oil-products consumption and still does not have a petroleum refinery, there was drawn up a project aimed at satisfying ever-increasing fuel needs of the region and enhance its export potential. The project involves construction of a refinery delivering diesel fuel, fuel oil, gasoline and other oil products.

4.3.3 Tourism and recreational sector development

The strategy of Pskov Oblast regional development is based, among other important issues, on tourism and recreational sector development recognized as one of the backbone clusters.



Projects and initiatives in the framework of tourism and recreational sector development are focused on further raising the industry competitiveness and are designed to establish a steady direction of its development in the capacity of a uniform territorial-production complex (cluster).



Pskov Oblast is rich in historical and architectural monuments, boasts of unique nature reserves and hunting-grounds and is distinguished by favorable environmental characteristics.

Yet, at the present time a large number of Pskov Oblast cultural and historical heritage sites of national and world significance need restoration. Nature reserves and hunting-grounds, in turn, require sustainable development and conservation.

However, the current condition of the region's tourist infrastructure does not allow to take the most advantage of favorable geographic location and Russian and foreign tourists' willingness to visit Pskov Oblast. The main impediment suppressing the industry development is substantial fixed assets deterioration (rate of wear) of a large part of hotels. The region has almost no luxury hotels. Cross-border co-operation in the tourist sector is poor.



With a view to achieve the goal of steady regional development, the Program suggests reconstruction of a great number of cultural and recreational sites.

The Program seeks to guest villages. It means landmarks of the region houses of Old Russian with all necessary comfortable stay of the water-supply, air-on). These tourist estates hotel services, parking swimming-pools, training



fulfill the concept of so-called that near historical and cultural there will be built single-family architectural style equipped facilities to ensure the most guests (advanced heating, conditioning systems, and so will be offering a full range of and catering facilities, baths, equipment renting, etc.

4.3.4 Timber-industry and wood-working sector development



According to the strategy of Pskov Oblast development, another backbone segment of the region's economy is its timber-industry and wood-working sector. The oblast has all necessary prerequisites for it, specifically: rich forest resources, skilled workers and proximity to large Russian and foreign markets.

The measures of the Program in terms of wood-working sector development are aimed at raising competitiveness of the industry as a whole, establishing high value added plants and a uniform territorial-production complex (cluster).

4.3.5 Trans border cooperation and taking advantage of geographical situation

According to the strategy of Pskov Oblast development, to make the most of the region's border location it is necessary to promote trans-border cooperation in two complementary directions.

The first direction is concerned with maximum fulfillment of the region's transit potential. Therefore, the Program suggests a number of initiatives designed to develop transportation and border infrastructure - specifically, the use of the advanced method of international trailer transfer system.

The second important aspect involves establishing businesses with competitive advantage based either on proximity to raw materials suppliers, proximity to outlets, explicit export-orientation, or a certain combination of the given factors. In this sense, the development of recreational and timber-industry clusters described above serves as a common ground for Russia and bordering states of the Baltic region and other countries of the Western Europe, in that these sectors provide all necessary prerequisites for establishing mutually profitable international relationships. Overall, the measures to promote the named clusters should provide for rapid progress of export-oriented enterprises, including the development of export niches of the Baltic region and engagement into the European labor division system, as well as establishing a system of manufacturing co-operation between local enterprises and those of other parts of Russia, Belarus, and the countries of the Baltic and Scandinavian region.