



“ALL RUSSIAN REGIONS HAVE THEIR OWN COMPETITIVE ADVANTAGES. THE PROBLEM IS HOW TO USE THE AVAILABLE ADVANTAGES.”

Dmitry Zelenin, Governor, Tver Region, on why his region is asking investors what it can do to help them come to the region, instead of waiting for investors to come to them

What were the causes of stagnation in the Tver Region?

It is not quite right to speak about economic stagnation in the Tver Region. There was a slack period, when growth rates slowed three or four years back. The current situation, however, is much better and our region is developing sufficiently dynamically. In 2003 the production growth was eight per cent, and last year it was 10.7%. There are notable positive trends, most particularly the rate of economic growth in the region is higher than the average for Russia and in Central federal district.

However, the region has encountered a number of severe problems which are related to internal factors and macroeconomic conditions. The resources of Tver companies, in terms of the growth of production capacities, appeared depleted.

What are the causes of this situation? Firstly, local industry was inherited from Soviet times. It was oriented towards heavily regulated markets, with

very limited growth potential. This is true, for example, for companies such as Kalinin Nuclear Power Station and Tver Railway Carriage Building Plant which maintain monopoly markets. In those markets the economics is regulated and it is difficult for the companies to expand the production using inner resources.

Secondly, a significant number of facilities require upgrading and product diversification. The only viable way to face this challenge is to attract external investment.

Thirdly, the region does not have primary material industries which exploit cheap natural resources.

Fourthly, until recently growth of personal incomes was slow, and internal solvency was limited. This also curbed the development of the region and the market of consumer services and small business in particular.

What are your plans to stimulate the economy?

In the '90s, Russian business was predominantly concentrated in Moscow and St Petersburg. This acted like a magnet and drew off capital and human resources from the Tver area.

Today, the macroeconomic conditions are considerably better. We are observing a general tendency for businesses and specialists gradually leave Moscow and are drawn to other regions. The Tver region, located in close proximity to the capital, is bound to make the most of this trend.

The Regional Administration is committed to providing assistance to companies to overcome factors which are hampering growth. This will be achieved by a vigorous investment policy; technical upgrades; proper professional training and consolidation of the workforce in the region; and developing incentives that allow specialists to stay and work in the region.

At present we grant subsidies to companies at the regional level that provide technical upgrades. This relates to the

reimbursement of interest rates under the investment credits. For instance, the session of the Regional Experts' Investment Council, held this May, agreed compensation for the interest rate amounting up to 5m rubles to a number of productions, including Bakery Facility Zity (TverMelcombint), Khlebprom and Nelidovo Plant. In total 15m roubles of regional subsidies are aimed to be for-



warded for these purposes in 2005.

We work hard to involve external investors, particularly firms that are interested in launching new productions aimed at the Moscow market. As an example, we are giving active support to launch two new advanced facilities in Rzhev and Vyshni Volotchkok to manufacture bricks. The investment into the construction of the facility in Vyshni Volotchkok to produce ceramic brick will make about 30 million Euro, and the products are basically targeted on the metropolitan market.

Another direction that we are going to develop is the creation of special and favorable conditions and terms for investors within so-called industrial zones.

What specific experiences from your time in business do you draw on when working to attract foreign investments to the region?

There are several principles which I and my team stick to. First, there is openness and transparency, which we work under in the region. We do not hold potential investors back from the truth about the actual situation and reveal our pros and cons as they are. Secondly, we emphasise an efficient and prompt response in our approach to our work. Governmental staff

should be as effective as employees working for private corporations. We are implementing administrative reform directed at increasing the efficiency of our public bodies. The activity of authorities should be result-oriented. In my opinion, it is very important, that a considerable amount of attention was given to this problem in Putin's Annual Message to Federal Assembly. Officers should not clog business activities, it is necessary to eliminate administrative barriers, to optimise the activity of the public administration and to increase its efficiency. Thirdly, continuous contact and feedback with the investors is important. Fourthly, an enthusiastic approach is indispensable to our work. We ask investors about what we can do for them to help them come to the region, rather than the reverse.

How may your plans serve as a model for other Russian regions which have relatively few natural resources?

I am convinced that all Russian regions have their own competitive advantages. The problem is how to use the available advantages. A regional authority's mission is to figure out the potential basis for the competitive advantage and the directions needed to use the resources to the full extent.

For example, one of the competitive advantages of the Tver area is the proximity to Moscow. For many years, however, this relationship only worked in one direction and had a negative effect, ie it caused an outflow of human resources to the capital city.

We realised that our location should be transformed into a positive factor. Today we are creating proper conditions to attract businesses and qualified specialists in our region. Our vision is that Tver can become a kind of 'bridgehead' for many companies for a further 'dash' to Moscow.

There are favourable conditions in achieving this. Many businesses are transferred from Moscow to the adjacent localities. Western investors have also awakened their interest in Russia's regions – particularly, the regions in the vicinity to the metropolitan area.

Secondly, the Moscow - St-Petersburg route is a competitive advantage.

So far, the region has not yet profited much from the fact that the major motorway in the country crosses it. Therefore one of our priorities is to transform the main route in a kind of "shop-window" for the region, and to develop hotel business, infrastructure, etc.

The third advanced feature that the region can boast is qualified scientific potential which has not previously



been used properly. As a result, our qualified specialists have searched for other places to work. We intend to develop scientific clusters in the region. These are regional research-and-production systems which are designed to integrate resources in order to develop new technologies and have an impact on creating a new level of competitiveness.

For example, we are planning to create an IT- cluster in the region. The basis for this is the intellectual potential of the Tver State University, where there is a faculty of applied mathematics and cybernetics as well as a mathematics faculty. 50 candidates of sciences and 30 doctors are involved in training and research. Up to 150 specialists in mathematical sciences and IT-related fields graduate each year. Few regions enjoy such unique intellectual potential in terms of software engineering and applied mathematics as the Tver Region. However, while possessing the scientific potential, we do not have a single production site that develops and makes software products as part of a systematic effort. Meanwhile, this sector is the second most important in the global economy in terms of production volume and is another challenge that we are bound to undertake. 