

# PRIORITY GUIDELINES IN THE SOCIO-ECONOMIC DEVELOPMENT OF THE NORTHERN OIL AND GAS REGIONS OF RUSSIA

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## ABSTRACT

*The main goal of the article is studying issues of economic development of oil and gas producing regions of Russia, economic evaluation of the main indicators of development and substantiation of regional development priorities. The article deals with theoretically methodological and practical aspects of the potential development of the northern oil-producing regions. The priorities of development of the northern areas are based on the analysis of selected socio-economic indicators. In the process of research, logical and formal methods were used. Information base of the research was made by official bodies and materials of domestic and foreign specialists. As a result of the analysis of the strengths and weaknesses of the economic development of the northern regions, the main problems and challenges have been identified. These include: strengthening global competition, increasing the role of innovation in the socio-economic development of regions, reducing the importance of traditional factors, strengthening the role of human capital, the gradual exhaustion of reserves of the export-commodity model of economic development, the unresolved social and infrastructure problems. Taking into account the existing theoretical and methodological base, the authors formulate priority directions for the development of the northern regions, conclusions and recommendations that have elements of scientific novelty. The practical significance of the study is determined by the fact that the conclusions and recommendations of the authors are of an applied nature and can be used in the practical activities of state bodies and specialists for developing a strategy for socio-economic development of northern-type regions.*

**Keywords:** Priorities, Northern regions, socio-economic development, regional policy, natural resource potential, hydrocarbon resources.

## INTRODUCTION

Sustainable socio-economic development of the northern regions specializing in the production of hydrocarbon resources (oil, gas, coal, peat) has a significant importance for the entire Russian economy, because the northern territories are strategic for the Russian economy. Northern regions in all countries of the world are the major economic areas. As a rule, these regions have rich natural resource potential. However, they are characterized by specific socio-economic and natural-climatic conditions, which often very adversely affect man. There is still an ongoing debate on how to reduce the impact of adverse factors (economic, social, infrastructural, climatic), hindering the development of northern regions in the world science and practice. The most pronounced adverse factors are manifested in the economies of northern

regions of such countries as Russia, Finland, Sweden, Norway, and Canada (*Vityazev, V.A. and E.S. Kotyrlo, 2007*).

Along with the concept of "northern region", the definition of "Far North", which first appeared in the regulatory legal act in 1932 and which is understood as "area of settlement of the small peoples of the North" is the most common in Russia? The regions of the Far North of Russia have the greatest resource potential: the share of these regions accounts for about 70% of oil and gas, over 35% of commercial timber, 60% of raw materials for phosphate fertilizers. Most of copper, nickel and tin preconditioning the development of all nonferrous metallurgy of the country is produced in this area. The vast majority of diamond production is also concentrated here. The areas of northern Russia have a positive net balance in intergovernmental affairs with the Federal center and provide nearly 60 percent of foreign exchange earnings of the country. (*The concept of state support of economic and social development of the regions of the North, 2000*).

The regions of the Far North stand out with special climatic conditions and are the regions, which are characterized by common social, economic, legal and other factors. Harsh climatic conditions, large distances require the participation of the state in shaping industrial infrastructure (road traffic networks, power grids etc.).

Studies have shown a consistent trend of population decline in northern regions, which is one of the problems for the development of their economy. Only 7% of the population of Russia resides in the regions of the Far North, and this is reflected in the shortage of personnel in all sectors (*Rodionova, I.A. and E.M. Limanskaya, 2010*).

Today the main parameters of the regional policy implemented on the territories of the Far North of Russia, condition the extracted natural resources. The level of production of minerals has a direct effect on socio-economic development of these regions, as well as on infrastructure. As the conducted studies showed, the main problem of revitalization of the economy of Russia's Northern regions is that currently there is no single strategy for their development. The main direction of socio-economic development of regions of the Far North is focused on creating favorable conditions for activities of large, vertically integrated companies that are engaged in the production of oil and hydrocarbons. The working-age population of the region, working in such companies, carries out its activities mainly on a rotational basis and work at earnings seasons. In addition, the migration outflow of the population is high— all this contributes to the fact that earned money, in other words capital is exported outside the regions. Most of the needs of the population living in regions of the Far North are met by the import of products from other regions of Russia. But in consideration of large distances, poor transport infrastructure, transport costs and harsh climatic conditions, the prices of imported products remain quite high (*Takmasheva, I.V. and L.L. Bogomolova, 2014*).

One of the impediments to full use of the resource potential of northern regions is underdeveloped small and medium business. Enterprises of small and medium businesses operating in each industry of the national economy occupy a significant share in the structure of gross domestic product; provide creation of new workplaces, increasing employment and income. The growth in the output rate produced by small and medium enterprises, to a large extent, provides the stability of the economy both the country and the region. However, such enterprises are the most vulnerable as they have limited resource base, and low competitiveness in comparison with large enterprises with poor infrastructure.

Traditional crafts of the north are a regional feature of small business and the economy of the Northern regions. The products of these industries are in great demand and are an export-

oriented production; the price of their sales is quite high, and the cost relative to other industries is small and ranges from 20 to 35% in the price structure. With all that traditional industries play an important role in import substitution as wild crops like mushrooms, berries, nuts, fishing, reindeer and hunting are in demand on local market and constitute significant 12.5% in consumer market's realization in the region and have a substantial growth potential due to their high demand, quality and environmental compatibility (*Araslanov, R.K. and L.L. Bogomolova, 2016*). Socio-economic policy in the regions of the Far North is mainly aimed at increase of volumes of extraction of fuel-energy resources and exploitation of reproducible resources (forest, water and other natural resources). However, part of the priority regions and sectors of the economy (wood processing, oil and gas processing industry, construction, and services sector) does not meet the relevant needs of regions of the Far North. The situation in the northern regions of Russia requires the active intervention of the state and regional authorities in the socio-economic processes in these areas. The priorities are increasing the welfare of the population, the growth of production in basic sectors of the economy, human potential, and sustainable economic development.

## METHODS

Theoretical and methodological basis of research are works of foreign and domestic economists on the problems of development of the northern regions, as well as legislative and normative acts on issues of state support of the regions, decisions and orders of the Government of the Russian Federation on priority directions of strategic development of regions. Empirical study in the regional management problems was the works of scientists L. I. Abalkin, A. I. Dobrynin, A. G. Granberg, and O. Inshakov, E. Kovalenko, V. Moseyko, T. Morozova, B. E., diagnostics of the area condition and main problems of their development are presented in the works of A. G. Aganbegyan, S. Vazhenina, A. Il'yinsky, L.A. Anosova, G.S. Ferraru, P.I. Shniper. The study of applied problems of socio-economic development of the northern oil and gas areas is reflected in the scientific works of V.M. Kurikov, L.L. Bogomolova, R.G. Abdulatipov, V.N. Bogachev and others. The most important experience in the development of the Northern territories was gained abroad as well; it is mainly reflected in the works of T. Armstrong, L. Amlen, W.Hecla, and O. Yang. Rational use of the potential of regions is an object of research of many foreign scientists.

The problems of effective construction of socio-economic space, implementation of strategies of territorial development, ranking and typology of regions are reflected in the works of the following foreign authors:

- 1) Camagni R and R Capello 2013. Regional Innovation Patterns and the EU Regional Policy Reform: Towards Smart Innovation Policies // *Growth and Change*. Vol. 44. No. 2. P. 355–389.
- 2) Capello R 2013. Knowledge, Innovation, and Regional Performance: Toward Smart Innovation Policies Introductory Remarks to the Special Issue // *Growth and Change*. Vol. 44. No. 2. P. 185–194.
- 3) Capello R and C Lenzi 2013. Territorial patterns of innovation: a taxonomy of innovative regions in Europe // *Ann Reg Sci*. 51. P. 119–154.
- 4) Foddi M and S Usai 2013. Regional Knowledge Performance in Europe // *Growth and Change*. Vol. 44. No. 2. P. 258–286.

- 5) Foray D, J Goddard, X Beldarrain, M Landabaso, P McCann, K Morgan, C Nauwelaers and R Ortega-Argilés 2012. Guide to Research and Innovation Strategies for Smart Specialisation (RIS 3). Brussels: European Commission. URL:
- 6) [http://s3platform.jrc.ec.europa.eu/c/document\\_library/get\\_file?uuid=a39fd20b-9fbc-402b-be8c-b51d03450946&groupId=10157](http://s3platform.jrc.ec.europa.eu/c/document_library/get_file?uuid=a39fd20b-9fbc-402b-be8c-b51d03450946&groupId=10157).
- 7) Hollanders H, J Derbyshire, R Lewney, R Tijssen, S Tarantola and L Rivera, 2012. Regional Innovation Scoreboard 2012 - Methodology report. Brussels: European Commission, DG Enterprise.
- 8) Annoni P and K Kozovska, 2010. EU Regional Competitiveness Index 2010. Institute for the Protection and Security of the Citizen. European Commission. URL: <http://www.urenio.org/wp-content/uploads/2010/09/Regional-Competitive-Index-EU-JRC2010.pdf>.
- 9) Tödting F and M Tripl, 2005. One size fits all? Towards a differentiated regional innovation policy approach // Research Policy. 34. P. 1203-1219.
- 10) Cooke P, 1998. Regional Innovation Systems: An evolutionary approach. In Braczyk HJ, Cooke P, Heidenreich M. Regional Innovation Systems. London: UCL Press.
- 11) Braczyk, H.-J. and M. Heidenreich, 1998. Regional governance structures in a globalised world. In Braczyk H.-J., Cooke P., Heidenreich M. Regional Innovation Systems. London: UCL Press.

Despite the theoretical and methodological development, the problem of choosing the priority directions of development of mono-rural northern regions requires further research. General scientific methods of historical and logical, system, structural-functional, statistical and comparative analysis, special methods of economic analysis and situations modeling, as well as tabular and graphical methods of data visualization were applied during the research. Methods used in the research:

- Logical: Delphi method, case study and forecasting;
- Formal: classical method of economic analysis and statistics, namely proportion-based forecasting, traditional methods of economic statistics, decision theory method.

Information and empirical base of the study included the data of Federal state statistics service, regional and municipal statistics; policy documents of the Government of the Russian Federation, regional authorities and local authorities; materials published in domestic and foreign monographs and articles, periodicals and special literature posted on the Internet; own author's calculations.

Normative-legal base of research includes the codified normative legal acts, legislative regulations of the President and the Government of the Russian Federation, the State Duma of the Russian Federation subjects and local authorities.

The basis of the Federal policy of Russia in relation to the regions for a long time was the principle of equalization of socio-economic development.

Modern trends and principles of the state policy of regional development in the long term is defined in the concept of long-term socio-economic development of the Russian Federation for the period until 2020 approved by the decree of the RF Government of 17 November 2008 # 1662-R (Table 1).

**Table 1**  
**LONG-TERM PRINCIPLES AND DIRECTIONS OF STATE POLICY IN THE FIELD OF REGIONAL DEVELOPMENT**

The main directions of regional development	Tasks that need to be addressed for implementation of guidelines
1. Promote economic development by creating new centres of economic growth in the regions based on competitive advantages	1) Coordination-making at the Federal, regional and local levels, of measures to create conditions for development of economic sectors and social sphere and the formation of centers of advanced economic growth, taking into account the competitive advantages of each region
	2) improving the incentive mechanisms of the state authorities of the constituent entities of the Russian Federation and bodies of local self-government in the effective implementation of their powers and create favorable conditions for comprehensive socio-economic development of regions
2. Coordination of the state's infrastructure investments and investment strategies of business in the regions, taking into account space development priorities and resource constraints, including the demographic ones	1) the provision of financial support to regions to ensure a statutory minimum level of living associated with the provision of opportunities to receive quality education, medical and cultural and leisure services
	2) infrastructure security of the territories and the creation of conditions for increase of competitiveness of regional economies and address issues of social development, including increasing transport availability of the territories
3. Reduction of differentiation in the level and quality of life of the population in the regions with effective mechanisms of social and fiscal policy	1) the provision of financial support to regions in order to reduce the differentiation in terms of the reforms envisaged in the state policy

Source: developed by the authors based on the data: the Concept of long-term socio-economic development of the Russian Federation for the period till 2020: the government Decree of the Russian Federation of 17 November 2008 # 1662-R

There are the following stages of realization of strategy of socio-economic development of the regions declared by the Government of the Russian Federation among the basic stages:

Stage I: is the project development phase (2005-2006 yrs): the study of infrastructural constraints for socio-economic development of regions of the Russian Federation; the identification of priorities for regional development; the formation of measures of the state support of the regions and their reflection in legal acts;

Stage II: is the stage of pilot projects and programs (2007-2010 yrs): implementation of the activities of state and regional support, adopted in the federal and departmental target programs on the basis of the pilot regions;

Stage III: is the stage of systemic changes (2011-2020 yrs): implementation of federal and departmental target programs of regional development; monitoring the effectiveness of implementation of these programs and their effective correction; the formation of several macro regions proportionate to the world by the volume of GRP per capita, and most importantly, exposed the important centers of innovative development of the country, providing the maximum possible multiplier effects in other regions.

Currently, the state has come to the third stage of the strategy implementation of socio-economic development of regions, in this respect, the priority actions become the following:

- 1) acceptance and correction of federal and departmental target programs of regional development;
- 2) improving the mechanism of financial support of regional development projects of the federal fund of regional development;
- 3) development and implementation of programs for socio-economic development of regions;
- 4) financial support of innovative and investment priorities.

## RESULTS OF THE STUDY

Sustainable development of the northern oil-producing areas is impossible without state support of regional policies aimed at creating favorable economic, social and legal conditions for the population and for enterprises of small and medium business. We can refer Khanty-Mansi Autonomous Okrug – Ugra, Yamalo-Nenets Autonomous Okrug, Nenets Autonomous Okrug, Irkutsk oblast, The Kamchatka region, the Komi Republic, the Republic of Karelia to the northern oil-producing regions of Russia. Economic evaluation of development of basic socio-economic indicators reflects a very unstable state of the economy of the northern oil producing regions.

Studies have shown a consistent trend of population decline in the northern regions, which is one of the problems for the development of their economy (Table 2).

**Table 2**  
**POPULATION IN THE NORTHERN OIL-PRODUCING REGIONS OF RUSSIA (AT THE END OF THE YEAR, THOUSAND PEOPLE.)**

The northern subjects of the Russian Federation	2012	2013	2014	2015	2016	Changes	
						abs.	relat.
KhMAO-Ugra	1536	1561	1584,1	1597,2	1626,8	90,8	105,9
YaNAO	537	542	541,6	539,7	534,1	-2,9	99,5
The Kamchatka region	321	320	320,6	319,9	316,1	-4,9	98,5
Nenets Autonomous Okrug	42	42	42,8	43,0	43,8	1,8	104,3
Irkutsk oblast	2428	2424	2422	2418,3	2412,8	-15,2	99,4
The Komi Republic	899	889	880,7	872,0	856,8	-42,2	95,3
The Republic of Karelia	642	640	636,9	634,4	629,9	-12,1	98,1
Total	6405	6418	6428,7	6424,5	6420,3	15,3	100,2

Source: developed by authors based on the data: the regions of Russia. Main characteristics of subjects of the Russian Federation. 2013; The Regions Of Russia. Main socio-economic indicators of cities. 2016.

Studies have shown that the greatest reduction in population by 42.2 thousand people or 4.7 % note in the Komi Republic for the period from 2012 to 2016. Population has decreased by 4.9 thousand people (1,5 %) in the Kamchatka region, by 12.1 thousand people (1.9 %) in the Republic of Karelia, 15.2 thousand people (0.6 %) in Irkutsk oblast, by 2.9 thousand people (0.5 %) in Yamalo-Nenets Autonomous okrug (YANAO).

The increase in population over the specified period occurred only in the two Autonomous regions: by 90.8 thousand people (5.9 %) in the Khanty-Mansi and by 1.8 thousand people (4.3 %) in the Nenets. These regions are characterized by the fact that gainfully employed population of the country which is provided with the most favorable socio-economic conditions of life live here.

The gross regional product (GRP) and investing in fixed capital can be qualified as the main indicators of economic development of the northern regions.

Gross regional product reflects the production process and is a key indicator of efficiency of development of a region. As a result of the analysis of changes in the index of GRP in the northern oil-producing regions, it has been revealed that it had been growing in these regions for the period from 2012 to 2016, however there was a significant inter-regional gap between the northern regions on this indicator (Table 3).

**Table 3**  
**OVERALL ECONOMIC DEVELOPMENT INDICES OF THE NORTHERN OIL-PRODUCING REGIONS IN 2012-2016.**

The northern subjects of the Russian Federation	GRP			Investment in fixed capital		
	2012 (RUB bn.)	2016 год (RUB bn)	Changes over 2012-2016 yrs (+/-)	2012 год (RUB bn)	2016 год (RUB bn)	Changes over 2012-2016 yrs (+/-)
KhMAO-Ugra	2434,2	2826,1	391,9	804,1	905,9	101,8
YaNAO	962,1	1611,5	649,4	1097,1	776,7	-320,4
The Kamchatka region	112,8	145,4	32,6	33,3	25,9	-7,4
Nenets Autonomous Okrug	166,4	183,7	17,3	85,1	113,2	28,1
Irkutsk oblast	627,9	907,4	279,5	258,5	211,8	-46,7
The Komi Republic	433,8	480,9	47,1	200,4	175,1	-25,3
the Republic of Karelia	142,9	185,6	42,7	35,3	32,4	-2,9
Total	4880,1	6340,6	1460,5	2513,8	2241	-272,8

Source: developed by authors based on the data of the Regions of Russia. Socio-economic indicators. 2016

The largest amount of growth in GRP by 649,4 billion RUB or of 67.49% compared to the base period was recorded in Yamalo-Nenets Autonomous okrug (YANAO). Over the five years, this figure has increased by 391,9 billion rubles in Khanty-Mansi Autonomous okrug – Ugra, by 279.5 billion rubles - in the Irkutsk oblast, by 47.1 billion rubles in the Komi Republic, by 42.7 billion rubles in the Republic of Karelia, by 32.6 billion rubles in the Kamchatka region, and by 17.3 billion rubles in the Nenets Autonomous okrug.

Changes in the volume of investments in fixed capital for the period from 2012 to 2016 is observed in such northern oil-producing regions as: Yamalo-Nenets Autonomous Okrug (the decrease is 320,4 billion rubles), Irkutsk oblast (the decrease by 46.7 billion rubles), the Komi Republic (the decrease by 25.3 billion rubles), the Kamchatka region (the decrease by 7.4 billion rubles), the Republic of Karelia (the decrease by 2.9 bn RUB). The growth of investments in fixed assets is observed in the Khanty-Mansi Autonomous okrug – Ugra (by 101,8 billion rubles) and the Nenets Autonomous okrug (by 28.1 billion rubles.).

The main reason for lower investment in the economy of the northern oil-producing regions, in our opinion, are the unstable geopolitical situation, sanctions and the crisis phenomena in the economy of the last period, and, as a result, increase of the cost of credit, decrease in the amount directed on support of regions of budgetary funds, significant investment risks, investor uncertainty in the efficiency of investment in the medium and long term prospects. As a result of analyzing the distribution of companies in the northern oil-producing regions in types of economic activities, it has been revealed that the major part of the businesses is concentrated in "Wholesale and retail trade; repair of motor vehicles, motorcycles, household goods and personal items", which applies to a small business in the Irkutsk oblast 36,01 % of all

existing enterprises, 31,12% in the Republic of Karelia, 30.74 % –in the Komi Republic, 29,92 % - in the Khanty-Mansi Autonomous okrug – Ugra, 26.29% in the Kamchatka region, 25,96% in the Yamalo-Nenets Autonomous okrug. This is because it is the most profitable to open your own business in this area as an entrepreneur gets the most profit for a small period of time (Table 4).

A significant part of the enterprises of the northern oil-producing regions is concentrated in the field of "Construction". It varies from 21.7% in the Yamalo-Nenets Autonomous okrug to 11.68% in the Republic of Karelia. A small number of enterprises from 6% to 9% are concentrated in the field of "manufacturing". Having a large resource potential, northern oil-producing areas create not enough favorable conditions for doing business in the region handling and processing of raw materials, which in our opinion is a secondary reserve for investment activities and creation of new business structures. The enterprises of the sector "Mining" comprise the minimal quantity share. Oil monopoly, generating the largest share in the turnover and profit in all regions are mainly located here. Oil and gas companies quantitatively range from 640 in the Khanty - Mansi Autonomous okrug-Ugra to a minimum of 26 companies in the Nenets Autonomous okrug.

When assessing the level of social development of the northern regions, in our opinion, you should consider changing the following settings:

- The total number of unemployed;
- The size of the actual wage per worker (income);
- The cost of the fixed set of consumer goods and services;
- The migration growth or population decline;
- The volume of construction of residential houses.

**Table 4**  
**DISTRIBUTION OF BUSINESSES IN THE NORTHERN OIL-PRODUCING REGIONS BY TYPES OF ECONOMIC ACTIVITY IN 2015-2016.**

The northern subjects of the Russian Federation	Unit of measurement	Minin g	Manu facturing	Agricul ture,hu nting and forestry	Fishing industr y, fish breedin g	Manufa cturing and distribu tion of electrici ty, gas and water	Constru ction	Wholesale and retail trade, repair of motor vehicles, motorcycles, household goods and personal items	Hotels and restaurants	Transport and communication	Operatio ns with real estate, rent and provision of services	Total
KhMAO-Ugra	Unit	640	2679	1003	150	396	7054	10940	1106	4549	8045	36562
	%	1,75	7,33	2,74	0,41	1,08	19,29	29,92	3,02	12,44	22,00	100,00
YaNAO	Unit	193	579	140	71	162	2018	2414	353	1434	1936	9300
	%	2,08	6,23	1,51	0,76	1,74	21,70	25,96	3,80	15,42	20,82	



												100,00
The Kamchatka region	Unit	67	784	322	827	120	1275	2467	281	1051	2191	9385
	%	0,71	8,35	3,43	8,81	1,28	13,59	26,29	2,99	11,20	23,35	100,00
Nenets Autonomous Okrug	Unit	26	52	48	14	14	113	130	20	94	156	667
	%	3,90	7,80	7,20	2,10	2,10	16,94	19,49	3,00	14,09	23,39	100,00
Irkutsk oblast	Unit	442	4874	4434	56	607	6850	20115	1495	5258	11725	55856
	%	0,79	8,73	7,94	0,10	1,09	12,26	36,01	2,68	9,41	20,99	100,00
The Komi Republic	Unit	227	1299	904	26	166	2369	5252	563	1814	4467	17087
	%	1,33	7,60	5,29	0,15	0,97	13,86	30,74	3,29	10,62	26,14	100,00
the Republic of Karelia	Unit	357	1807	1422	158	284	2370	6316	694	2447	4440	20295
	%	1,76	8,90	7,01	0,78	1,40	11,68	31,12	3,42	12,06	21,88	100,00

Source: developed by authors based on data: Main indicators of socio-economic status of subjects of the Russian Federation in 2016. 2017.

The highest amount of wages paid per employee per month in 2016 is observed on the territory of Yamalo-Nenets Autonomous okrug and amounts to 83 832 RUB, the annual growth rate of wages is 1.5%. The level of wages rose by 0.5 % in the Republic of Karelia and amounted to 32 591 RUB. The annual decline in wages is recorded in all other northern oil-producing regions: in the Nenets Autonomous okrug 8.7 % (71 908 RUB.), 2.9 % (63 622 RUB.) in the Khanty-Mansi Autonomous okrug – Ugra, 2.3 % (59 923 RUB.) in the Kamchatka region, 1.8 % (34 907 RUB.) in the Irkutsk oblast. Wages for the year did not change and amounted to RUB 427 43 in the Komi Republic (Table 5).

**Table 5**  
**COMMON INDICATORS OF SOCIAL DEVELOPMENT OF THE NORTHERN OIL-PRODUCING**  
**REGIONS OF RUSSIA, 2016**

The northern subjects of the Russian Federation	The amount of gross wages per employee		The cost of the fixed set of consumer goods and services		The total number of unemployed		Migration growth (+) or decrease (-) of population, per.	Construction of apartment houses (thousand square meters of total area)
	RUB	in % to the previous year	RUB	in % to the previous year	Thousand people	in % to the previous year		
KhMAO-Ugra	63622	97,1	17200,1	105,9	41,7	102,9	3864	728,6
YaNAO	83832	101,5	18375,7	104,8	8,4	74,9	-3491	194,8
The Kamchatka region	59923	97,7	24385,3	105,4	7,6	89,5	-1805	75,0
Nenets Autonomous Okrug	71908	91,3	19705,9	104,5	2,0	111,1	-320	22,9
Irkutsk oblast	34907	98,2	13288,9	106,7	110,2	106,9	-7146	881,5
The Komi Republic	43427	100,0	15319,1	105,7	40,4	121,9	-6932	232,9
The Republic of Karelia	32591	100,5	15326,9	105,3	30,2	105,1	-1008	292,8
Total	390210	686,3	123601,9	738,3	240,5	712,3	-16838	2428,5

Source: developed by authors based on data: Main indicators of socio-economic status of subjects of the Russian Federation in 2016. 2017.

In 2016 despite the annual decline in wages, the cost of a fixed set of consumer goods and services had grown in all northern regions: the largest increase by 6.7 % was observed in the Irkutsk oblast, by 5.9 % in the Khanty-Mansi Autonomous okrug – Ugra, by 5.7 % in the Komi Republic, by 5.4 % - in the Kamchatka region, by 5.3% - in the Republic of Karelia, 4.8% - in the Yamalo-Nenets Autonomous okrug, by 4.5 % - in the Nenets Autonomous okrug. There are the increase in the cost of raw materials and equipment, strengthening of inflationary processes, the emergence of excess demand for consumer commodities, higher production costs among the reasons for the increase in the cost of fixed set of consumer goods and services.

The social situation of the region reflects the total number of unemployed, which had increased in most Northern regions in 2016. The growth in the number of unemployed has been registered in such subjects as the Komi Republic, by 21.9 %, Nenets Autonomous okrug, by 11.1 %, Irkutsk oblast, by 6.9 %, Republic of Karelia, by 5.1 %, Khanty-Mansi Autonomous Okrug – Ugra, by 2.9 %. A significant reduction in the unemployment rate occurred only in two regions: by 25.1% in the Yamalo-Nenets Autonomous okrug and by 10.5 % in the Kamchatka region. The increase in the total number of economically active population that is able and willing to work, but is forced not to work due to various reasons, evidences of the imbalance in the labour market because of declining wages and deteriorating economic conditions of labor activity. High unemployment has very negative consequences for the economy as a whole, which are shown in:

- Loss of incomes of citizens;
- Loss of skill level of engineers and workers;
- Decrease in consumption of goods and services, general household purchasing power;
- The strengthening of social stratification.

The total population growth of a region depends not only on natural increase, which is based on fertility or mortality, but also on the migration growth or decline in population. The analysis of migration flows revealed that almost all of the Northern oil-producing regions are characterized by migration population decline: migration loss comprised 7146 people in the Irkutsk oblast in the year 2016 compared to 2015 6932 people in the Komi Republic, 3491 people - in the Yamalo-Nenets Autonomous okrug, 1805 person - in The Kamchatka region, 1008 people - in the Republic of Karelia, 320 people - in the Nenets Autonomous okrug. Khanty-Mansi Autonomous Okrug – Ugra is the only northern oil-producing entity which is currently characterized by typical migration growth, migration here was 3864 people.

Migration processes of population loss happen due to extreme climatic conditions, which adversely affect the health of the population, low level of development of social infrastructure and services, adverse conditions for permanent comfortable living of highly qualified professionals, irregular distribution of the population across the Northern regions. These factors contribute to the fact that a significant proportion of the working population prefers to carry out its labor activity in the territory of the north entities by shifts and seasonal method.

The most important social indicator for the population of any region is the level of construction and commissioning of houses. In 2016 2428,5 thousand square meters of houses were commissioned together in the Northern oil-producing regions of Russia. The maximum of total living space is commissioned in the Irkutsk oblast - 881,5 thousand sq. m.; in the Khanty-Mansi Autonomous okrug –Ugra, 728,6 thousand sq. m.; in the Republic of Karelia, 292,8 thousand sq. m., in the Komi Republic, 232,9 thousand sq. m.

Having analyzed individual socio-economic indicators, it is necessary to emphasize the uneven economic development between the northern regions. The specific characteristics of the socio-economic development of the Northern oil-producing regions are harsh climatic conditions, uneven distribution of resources, remoteness from the Central regions, poor accessibility, low population density, poor infrastructure, high migration flows.

## **THE DISCUSSION OF THE RESULTS**

As a result of the analysis of the socio-economic development of the northern oil-producing regions, the following trends have been revealed:

- the tendency of reduction of population by natural and migration diminution persists in the economy of the northern oil producing regions, these processes are explained by harsh climatic conditions, which adversely affect health of the population, low level of development of social infrastructure and services;
- the increase in total number of unemployed in most of the northern regions, the decline in wages and the rising cost of fixed set of consumer goods and services, which negatively affect the state of the labor market, income levels and general welfare of the population;
- the decrease in the volume of investments in fixed capital, the reasons of which are the deterioration of the economic situation, administrative barriers and the significant investment risks;
- most of the enterprises in the northern regions are concentrated in the sectors "Wholesale and retail trade; repair of motor vehicles, motorcycles, household goods and personal units"; "Real estate operations, rent and provision of services". It is the sphere of small and medium business.

– despite the resource potential in the northern oil producing areas, favorable conditions for doing business in the field of processing and recycling of raw materials have not been created, it negatively affects the number of enterprises operating in the field of "manufacturing";

– current state of fuel and energy complex in northern regions defines a vertically-integrated companies, these big companies absorb the main share of highly qualified workers.

In the process of implementation of the Russian state regional policy, new socio-economic challenges have been revealed:

- increased global competition, which covers not only the national market but also regional markets;
- increase of the role of innovation in socio-economic development of the regions and the declining importance of traditional factors, which had previously ensured the growth of regional economies;
- strengthening the role of human capital as the main factor of economic development of regions, which is determined by the level of professionalism and competence of engineering and technical personnel;
- the gradual exhaustion of reserves of raw materials export model of economic development of regions;
- the unresolved social and infrastructure problems, manifested in high levels of social inequality, risks in business, administrative barriers, insufficient development of the investment sphere.

Today the solution of these issues is the priority of state policy and is intended to ensure the formation of effective regional socio-economic system.

## CONCLUSION

Identifying strengths and weaknesses, tendencies and problems in development of social and economic spheres of the northern oil and gas producing regions, we denote the main priority areas for socio-economic development of the regional economy of the moment:

- the improvement of the competitiveness of northern oil and gas areas on the basis of attracting private and public investment,
- increasing the investment attractiveness of the region through the creation of a favorable investment climate, including for foreign investors,
- providing conditions for investment in priority sectors of the regional economy (construction, woodworking, oil and gas refining, food industry, services);
- creation of conditions for constant comfortable living of highly qualified specialists: development of services (education, health), social and transport infrastructure;
- the decrease in the number of unemployed, which includes execution of regional programs to promote employment, introduction of flexible forms of employment,
- implementation of measures on creation of favorable conditions for doing business in the field of processing and recycling of raw materials;
- the creation of a favorable business climate for small businesses in the innovation sector by reducing administrative barriers, training for the needs of the innovation economy,
- rational and safe exploitation of natural resources, including using technology of "lean manufacturing";
- implementation of projects on rational use of associated gas, the development of the agricultural, fishery and forestry and transport complexes;
- the development of cultural-cognitive, ethnographic, event and ecological types of tourism.

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