

The Kaliningrad Project



In late 1985 MacAlister Elliott and Partners led a consortium of fisheries and industry specialists to the Russian enclave of Kaliningrad on the Baltic. The consortium included SOFRECO of France and IKP3 from Spain, and was selected by EU Tacis to implement the ' Technical Assistance for the Fish Industry Complex in the Kaliningrad region' programme.

Kaliningrad, surrounded by Lithuania and Poland, depends heavily on fisheries and is (was) home to one of the great Soviet Atlantic fishing fleets (the other being in Murmansk), and a large naval base and dockyard.

Prior to 1992 the industry was in the state sector and companies were centrally controlled. Fishing companies were allocated vessels and instructed where to fish, what species to target and where to land catches. Processing companies were allocated specific equipment and raw materials, told what to produce and in what form, and where to deliver the product. Companies were, in effect, state-controlled operating units with no real commercial responsibilities. The industry was totally volume oriented and little attention was paid to cost, quality control or operational efficiency.



The companies also had social responsibilities for the communities in which they were based. Most operated nursery schools, medical centres, hostels, canteens, social centres and union activities, and again there was no real understanding of the cost of these operations.

The abrupt change from the centrally controlled economy to a market economy caused great hardship to Kaliningrad, and no doubt to the rest of the eastern bloc countries. The distant water fleets were scattered round the world with minimal cash to buy fuel and provisions, the vessels themselves were inefficient in terms of fuel consumption and manning levels, most of the Soviet bi-lateral fishing agreements lapsed, and the traditional eastern bloc markets collapsed. In Kaliningrad, the processing and canning industries were starved of raw materials and, as there was very little money in the distribution system (even taxes are sometimes paid in canned fish), the industries were unable to pay wages or continue their social responsibilities.

The Tacis project's role has been to study the industry from catching to market and to provide as much assistance as possible to government and private organisations in the conversion to a market economy. Particular emphasis has been given to making current marketing and other data available to the industry through the establishment of a Fisheries Information and Advisory Centre (FIAC).

David Barrett was Team Leader managing a team of sixteen short term experts covering the whole industry from distant water fleet and vessel experts to world markets for processed product, including experts in refrigeration, marine surveying, business management, economics, processing, canning and packaging, marketing, finance and accounting, legislation, IT, aquaculture, training and social rehabilitation.

In August 1996 the team and their Russian counterparts published a Fisheries Sector Review, benchmarking the state of the industry and noting the small but rapidly expanding private sector initiatives. After extensive industry consultations (and an election, change of Governor and project counterpart) a Fisheries Master Plan was published defining key strategic objectives which can be summarised as follows.

- Establish the FIAC.
- Expand and improve landings from Baltic fisheries for which significant quota is available.
- Improve short-term profitability of existing processing industries through financial management, product and distribution improvements.

- Support SMEs through business and financial training, product development and marketing.
- Develop new fish farms as a means of improving employment opportunities in rural areas.

In Soviet times the Kaliningrad fleet fished the south Atlantic with bases in Sierra Leone, Angola, Uruguay and Cuba, but had little involvement in northern waters and the Barent Sea which were fished by the Murmansk fleet. When the Russian quota was subsequently divided up based on historic catches, Kaliningrad got almost none of the high value quota in the north. Thus, the Kaliningrad fleet still fishes distant waters mostly for low value pelagics which are sold for cash on world markets. Consequently, the distant water vessels no longer have much economic impact on the Oblast, which instead needs to develop as a Baltic community in the way Latvia and Lithuania are doing with some success.

The project offered and provided assistance across a wide range of disciplines such as Baltic fishing gear development and testing, state-of-the-art fish finding and tracking electronics, installation and training in computerised accounting systems for a number of large and small enterprises, product development and quality control audits, Russian and European marketing studies, management training, and social rehabilitation workshops for the many workers displaced by the greatly reduced fishing industry.

The project also provided and installed the hardware and software for the FIAC and the dozen companies networked to the FIAC. Communications and links were established with the worldwide sources of information and data and training given to the operators to use and expand the FIAC.

Kaliningrad is changing fast and even during the 2 years of the project the change from a grey Soviet image with little colour and no merchandise displays, to colourful street markets and shop windows crammed with brightly packaged goods, was remarkable. Today, hopefully fostered partly by the project, the fishing industry is expanding and has many international connections, particularly with Denmark. The large fleets have been rationalised with many joint ventures around the world. Private companies are playing an increasingly important role in catching and processing, and there is trade in both importing raw materials and exporting finished product with international markets.