

ISSUES OF MANAGEMENT IN TERRITORIAL SYSTEMS

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Strategic Priorities of Small and Medium Towns' Development*



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Abstract. The current trends of population concentration in large cities and agglomerations lead to an imbalance in spatial development. These trends are among the main threats to the national security of the state. The problems of socio-economic development are particularly acute for small and medium towns, as local centers of adjacent territories. In this regard, the choice of ways and directions to improve the efficiency of the management of these localities becomes particularly relevant. The purpose of the research is to find and scientifically substantiate new priorities of strategic management of the development of small and medium towns taking into account the diversity of their types. The article presents the views of leading Russian researchers on the problem of managing small and medium towns. Based on the scientific literature analysis and survey results of heads of administrations of small and medium towns of the Vologda Oblast, the authors identify the main factors that hinder the construction of an

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effective management system. The paper proves the expediency of working out regional strategies for the development of small and medium towns, based on the settlements' typology according to the economic profile and position in the urbanized system. The work shows the approaches to the definition of the town's specialization: 1) based on the current economic structure; 2) based on the "smart specialization" concept. The information basis of the study is data of official statistics and scientific works of domestic and foreign researchers on the studied subject. In the paper, the authors use the methods of expert survey, monographic, economic and statistical, tabular and graphical methods of data visualization. The research results can be used in the activities of regional and municipal authorities in the working out strategic planning documents for managing the development of small and medium towns.

Key words: small and medium towns, strategy, spatial development, regional policy, towns' typology.

Introduction

For Russia, as the largest country area in the world, the problem of developing local territories is particularly acute. The presence of interregional and intraregional differentiation has a negative impact on the socio-economic and spatial development of the state. The market reforms of the 1990s changed the administrative and economic foundations of most settlements, particularly affecting small and medium towns. Most of the latter were created according to the plan in the period of large-scale industrialization, when each city played a certain role in the country's economic space and was connected by production chains with other territories. With the transition to the market, there was a break in the established ties, and most small and medium towns were not able to fully adapt to the new economic conditions.

Currently, the category of small and medium towns is still the most numerous among urban settlements. As of January 1, 2019, out of 1,115 Russian towns, 945 (85%) were classified as small and medium ones. In Russia as a whole, more than 26.3 million people, or almost 18% of the country's population, live in such settlements. Over the past 30 years, total population of towns has grown by more than 8%, but these trends have affected only large cities and megacities. Small and medium towns, on the contrary, lost more than 780 thousand inhabitants (*Tab. 1*).

Urbanization is quite a natural and integral stage of the country's development, and the centripetal processes of settlement are not an exclusive Russian feature. At the same time, many scientists focus on the possible threats that these trends carry in the development of the economic space [1; 2; 3].

The migration outflow from small and medium towns is largely due to the people's desire for a higher level and living standards that a large city can provide. However, not everything is so clear. In the post-reform period, a significant part of social, industrial, economic, and urban development facilities was being liquidated everywhere – in small and medium towns and in large rural settlements. Bank branches, tax offices, small schools, and university branches were being closed, and a number of district cultural and health institutions was reduced. This "optimization" had the most negative impact on the living standards and directly affected the economic life of the Russian province [4].

If we take into account the depth of the problems accumulated in small and medium towns, the issues of finding ways to improve the efficiency of managing their development become particularly relevant. At the same time, with the formal independence of local self-government authorities, it turns out in practice that it is difficult to carry

Table 1. Russia's population in 1989 and 2019

| Indicator | 1989 | 2019 | Growth rate | |
|--|----------|----------|-----------------------|----------|
| | | | Units., thou. people. | %, p. p. |
| Total population, thou. people | 147400,5 | 146780.7 | -619.8 | 99.6 |
| Total number of towns, units | 1,037 | 1,115 | 78 | 107.5 |
| Population living in towns, thou. people | 94450.0 | 102311.3 | 7861.3 | 108.3 |
| Population living in towns, % | 64.1 | 69.7 | - | 5.6 |
| Number of small and medium towns, units | 872 | 945 | 73 | 108.4 |
| Population living in small and medium towns, thou. people | 27089.0 | 26300.2 | -788.8 | 97.1 |
| Share of population living in small and medium towns in total population of the country, % | 18.4 | 17.9 | - | -0.5 |
| Source: own calculations according to Rosstat data. | | | | |

out any significant changes in small and medium towns with no assistance of federal and regional authorities.

The Spatial Development Strategy of the Russian Federation through up 2025¹ was adopted in 2019. This strategy does not ignore the problem of towns' depopulation with a population of less than 100 thousand people. First, the document focuses on the need to increase the sustainability of the settlement system through the towns' socio-economic development that have the status of single-industry municipalities, historical settlements, and science towns. Secondly, as one of the directions of solving the spatial development problems, it is proposed to develop small and medium towns' as inter-municipal service centers for rural areas, providing the population and entrepreneurs with social, information, consulting, and other services.

If the Strategy contains some right decisions, it is necessary to agree with the critical comments of leading Russian economists about this document. For example, according to the RAS Academician P.A. Minakir, the Spatial Development Strategy of the Russian Federation only legitimizes the redistribution of limited budget resources in favor of the largest urban agglomerations. It leads to an even

¹ The Spatial Development Strategy of the Russian Federation, approved by the Government Decree of the Russian Federation, dated February 13, 2019, no. 207-r "On Approval of the Spatial Development Strategy of the Russian Federation through to 2025".

greater increase in spatial asymmetry [1]. Professor, Doctor of Sciences (History), N.V. Zubarevich notes that the document pays little attention to the topics and tools for the peripheral territories' development, and it mostly focuses on the fact that territories outside agglomerations should develop on their own [2].

The importance and significance of the implementation of the state policy measures for small and medium towns' development has been repeatedly noted in many works of modern researchers and economists. At the same time, the question of how to manage all the existing variety of their types remains open.

The *purpose* of the work is to find and scientifically substantiate new priorities for strategic management of small and medium towns' development considering large variety of their types.

Achieving this goal involves solving the following tasks:

1. To study theoretical and methodological approaches to managing small and medium towns' development.
2. To identify factors which hinder the construction of an effective management system for small and medium towns' development including regional level.
3. To search for approaches to the selection of promising areas for further development of various types of small and medium towns taking into account their economic specialization.

Research theoretical aspects

In recent years, there has been an increased interest in studying features and problems of small and medium towns' development by the Russian scientific community. The collective monograph [5] deals with socio-economic development problems of these settlements, analyzes their occurrence causes. The researchers note the presence of a large variety of small and medium towns, while providing specific examples of the complex development of various types of settlements that differ in geographical location and economic situation.

In the social space, the small towns' development issues are the subject of many studies of the Federal Research Sociological Center of the Russian Academy of Sciences (FRSC RAS) [4]. The researchers analyze the problems of these settlements using the tools for social modeling of spatial development in case of specific towns typical for Russia which are distinguished by the criteria of their current socio-economic situation, macro-regional and industry affiliation.

Small and medium towns are studied not only by economists and sociologists, but also by researchers from a related field of economic geography. For instance, [6] presents the results of a comprehensive socio-economic and geographical study of all medium towns in non-metropolitan regions of Central Russia. We should pay special attention to the methodological methods proposed by the author for studying the economic-geographical and socio-economic situation of localities, as well as the methodology for identifying inter-district functions of medium towns.

Turning to foreign experience, it is necessary to pay attention to the fact that one of the leading research areas is the study of these settlements' problems in the context of territories' sustainable development [7; 8; 9]. This concept implies a balanced development of small and medium towns in three areas: economic, social, and environmental.

A popular research topic is the interaction of small and medium towns and rural areas [10; 11].

Quite many foreign works are devoted to the problems of the so-called "shrinking city" [12; 13]. Among other things, they include some small and medium towns. Research on this topic has gained sufficient popularity, especially in the United States and Germany. In Russia, this trend is not that common, but there are widely presented works devoted to the study of towns with a single-industry economy [14; 15], where there is a rapid decline in the population, mainly characteristic of the Russian northern territories.

The issues of managing the small and medium towns' development (including strategic ones) are also among popular topics of modern domestic and foreign studies. For example, the works of E.M. Buchwal'd and O.N. Valentik [16], M.S. Oborin and M.Yu. Sheresheva [17], V.V. Didyk [18], N.A. Lebedeva and V.O. Rusetskaya [19] analyze various tools and methods of strategic planning in small and medium towns. With all the variety of existing approaches, it is necessary to note that most of the works somehow address the issue of the need for a typology of these localities. This is primarily caused by the fact that it is impossible to practically apply one variant of strategic management for the entire variety of small and medium Russian towns.

In the works of foreign authors, the emphasis is also placed on strategic planning, but their main distinguishing feature is just a high level of practical orientation. In particular, in the EU countries, it is possible to observe a very close interaction of researchers and regional and municipal authorities in creating urban development programs and in the territory's spatial planning [20; 21].

In recent years, Russian scientists' works have also become more practical. For example, the ICSE "Leontief Center" has developed a brochure on strategic planning in small towns which contains practical recommendations for local governments [22].

Thus, the analysis of modern works on small and medium towns' development confirms the relevance of the chosen research topic. The problem of finding effective approaches to management which, on the one hand, could be applicable to a wide range of municipalities and, on the other hand, would take into account the features and specifics of various types of settlements remains open.

Materials and methods

The methodological basis of the research is based on the works of leading Russian economists in the field of studying modern approaches, methods, mechanisms, and tools for managing small and medium towns' development. There were also used methods of synthesis and generalization, expert assessments, monographic, statistical, retrospective, qualitative and quantitative data processing.

As sources of information, the authors use official Rosstat data, database of indicators of municipalities, information contained on official websites of state and municipal authorities. Also, information basis of the work includes the survey results of administration heads of all small towns of the Vologda Oblast, conducted in May 2020. Its purpose is to study the representatives' views of local self-government authorities on the prospects for the settlements' development, and to identify the main problems in the field of management. Twelve out of thirteen heads of small towns in the region took part in the survey which indicates a fairly good level of representativeness of data.

Main research results

Currently, the basis for the management of small and medium towns is the system of local government (LGS) which is the lowest level of government in the country and is a form of self-organization and citizens' participation in the management of the local territories' development. Russia has gone through a difficult path of formation and development of local self-government, with

the most significant changes occurring in the post-Soviet period.

Since January 1, 2009², the Federal Law no. 131-FZ³ has been fully implemented. It formed a two-level system of municipal administration with the division of financial and economic powers between municipal districts and their urban and rural settlements. Most small and medium towns currently belong to urban settlements from the legislative point of view. For example, in the Northwestern Federal District, only one third of small and medium towns (44 out of 136) have the status of urban districts. The difference between these two categories is that a town claiming the status of an urban district leaves a municipal district, and, secondly, a town district, as a new municipality, acquires the right to exercise separate state powers.

Professor, Doctor of Sciences (Economics) E.M. Buchwald notes that this factor significantly affects the investment attractiveness of small and medium towns. They have the status of urban settlements, "as any investor is fully aware of the informal dependence of the municipal authorities of urban settlements on the district authorities within the framework of the two-level model of local self-government that is mandatory for districts" [23].

The high subsidization level of town budgets is one of the main obstacles for small and medium towns to enter the self-development path [4; 5; 16; 22; 24]. In the current conditions, small and medium towns simply cannot be considered full-fledged economic entities and economic activities. We should note that this problem has appeared earlier, and the reform of local self-government was just supposed to break the current situation. However, at present, unfortunately, it is

² In a number of regions since January 1, 2006.

³ On general principles of the organization of local self-government in the Russian Federation Federal: Law no. 131-FZ, dated October 6, 2003 (hereinafter referred to as "131-FZ").

Table 2. Factors impeding the effective management of small and medium towns, % of a number of respondents

| Factor | Significance level | | |
|---|--------------------|----------------------------|---------------|
| | Very significant | Significant to some extent | Insignificant |
| Deficit of own sources of budget revenue | 91.7 | 8.3 | 0.0 |
| Insufficient financial support from regional authorities | 66.7 | 33.3 | 0.0 |
| Local population's passivity | 58.3 | 41.7 | 0.0 |
| Insufficient staffing of local self-government authorities with qualified personnel | 50.0 | 50.0 | 0.0 |
| Inconsistency of strategic (program) documents at the federal, regional, and local levels | 50.0 | 33.3 | 16.7 |
| Dependence on state authorities | 33.3 | 50.0 | 16.7 |
| Lack of effective cooperation with a municipal district's authorities | 25.0 | 58.3 | 16.7 |
| Exaggerated state control | 25.0 | 50.0 | 25.0 |

Source: own calculations based on the survey of administration heads of small towns of the Vologda Oblast.

unnecessary to talk about the independence and financial autonomy of small and medium towns. Essentially, the purpose of forming a self-sufficient and independent level of local self-government has not been fully achieved.

The relevance of these problems is confirmed by the survey results of administration heads of small towns of the Vologda Oblast. The majority of respondents (more than 90% of respondents) noted the deficit problem of their own sources of budget revenue as the main factor hindering the effective management of a town's development (*Tab. 2*).

In addition, two thirds of representatives of local self-government authorities consider the volume of financial support provided by regional authorities to be insufficient.

An analysis of small towns' budgets in the Vologda Oblast for 2018 definitely shows that only in three urban settlements out of 13 (Gryazovets, Babaevo, and Nikolsk), more than three quarters of the budget revenue consists of their own tax and non-tax revenues (*Tab. 3*). Only in the budget of one municipality (Gryazovets), the amount of coverage of expenses with their own income exceeded 90%.

Table 3. Local budgets of small towns of the Vologda Oblast in 2018, thou. rub.

| Urban settlement | Total income, thou. rub. | Share of own (tax and non-tax) revenues in the budget, % | Expenses, thou. rub. | Budget deficit / surplus, thou. rub. | Coverage of expenses by own income*, % |
|------------------|--------------------------|--|----------------------|--------------------------------------|--|
| Gryazovetskoe | 47709 | 91.1 | 46320 | 1389 | 93.8 |
| Babaevo | 66788 | 75.6 | 59333 | 7455 | 85.1 |
| Nikolsk | 30639 | 79.6 | 31786 | -1147 | 76.7 |
| Veliky Ustyug | 102786 | 71.4 | 100129 | 2657 | 73.3 |
| Ustyuzhna | 31,331 | 65.4 | 30982 | 349 | 66.1 |
| Kharovsk | 41247.7 | 62.5 | 41038 | 209.7 | 62.8 |
| Belozersk | 44473 | 52.4 | 43377 | 1096 | 53.7 |
| Kirillov | 41561.4 | 50.6 | 40553.9 | 1007.5 | 51.8 |
| Vytegra | 62227.1 | 51.7 | 62789.4 | -562.3 | 51.3 |
| Tot'ma | 49963.4 | 47.5 | 46466.2 | 3497.2 | 51.1 |
| Sokol | 211867 | 42.2 | 204550 | 7317 | 43.7 |
| Krasavino | 34493 | 39.5 | 34475 | 18 | 39.5 |
| Kadnikov | 44040.9 | 31.6 | 43914.8 | 126.1 | 31.7 |

* Share of own income covering budget expenses.
Source: own calculations based on Rosstat data.

The issues of ensuring the financial independence of small and medium towns and the need to amend the current tax legislation of the Russian Federation have repeatedly been the subject of scientific discussions. According to the researchers of the Center for Regional Sociology and Conflictology Studies of the Institute of Sociology of the Russian Academy of Sciences, “in order to strengthen the financial base of a small town, it is necessary to change the current state’s fiscal policy from the centralization of financial resources in the federal budget to a policy that encourages local governments to increase their own revenue base” [4]. The paper [25] focuses on principal importance of differential strengthening of the revenue base of local budgets which considers the features, trends and historical management traditions of various types of local territories. For instant, in relation to small and medium towns, where there is a rich property base, it is advisable to assign property taxes to local governments.

Among the most significant factors hindering the construction of an effective management system, according to the heads of administrations of small towns of the Vologda Oblast, it is also necessary to highlight the passivity of the local population and the lack of qualified personnel in local self-government authorities. Half of the surveyed representatives of local self-government authorities of small towns in the region drew attention to the problem of inconsistency of strategic and program documents at the state and municipal levels. Their basis is often caused by insufficient communication with regional authorities. The relevance of the identified problems is also confirmed by the research of the Center for Regional Sociology and Conflictology Studies of IS RAS, based on the results of an expert survey conducted in 16 small Russia’s towns [26]. In the current socio-economic conditions, the idea of transition of small and

medium towns to the path of self-development with no help of state authorities looks difficult to implement.

In Russia, the federal level has not adopted a document for the comprehensive long-term socio-economic development of small and medium towns. At the same time, we should note that earlier attempts of state authorities to develop and implement such strategic documents were repeatedly made⁴, but they were hardly successful. The lack of a long-term vision of the future of small and medium towns, focusing only on solving current issues, does not allow determining the promising directions for the development of these settlements and, as a result, to choose the most effective management tools and methods.

The survey results of heads of local self-government authorities can also prove a low effectiveness level of the implemented state and regional policies in relation to small and medium towns to some extent. These results indicate that most of the tools are ineffective or insufficiently implemented. For example, in the Vologda Oblast, less than half of the respondents recognized the effectiveness of the majority of state programs operating in small towns (*Tab. 4*).

According to three quarters of respondents, the most effective tool includes programs for the improvement and formation of a comfortable urban area. The federal project “Creating a Comfortable

⁴ In 1996, the Federal Comprehensive Program for Small and Medium Towns' Development of the Russian Federation in the Context of Economic Reform was adopted (Government Decree of the Russian Federation no. 762, dated June 28, 1996). In 2013, the program development “Socio-economic development of small Towns of the Russian Federation in 2015–2020” was carried out which was to become part of the state program “Regional Policy and Federal Relations” through to 2020 (Government Decree of the Russian Federation no. 307, dated April 15, 2014). The final version of the state program did not include the development and support of small towns, and, after the liquidation of the Ministry of Regional Development of Russia in September 2014, it was completely discontinued.

Table 4. Implementation of state and regional policy instruments for the small towns' development in the Vologda Oblast, % of the respondents' number

| State and regional policy instruments for small and medium towns' development | Being implemented | Including: | |
|---|-------------------|---------------------------------------|-----------|
| | | Ineffective or insufficiently applied | Effective |
| Programs for the improvement and formation of a comfortable urban environment | 100.0 | 25.0 | 75.0 |
| Programs for housing construction, housing and communal services, citizens' relocation from emergency housing | 100.0 | 58.3 | 41.7 |
| Programs for the construction and repair of local roads | 100.0 | 58.3 | 41.7 |
| Programs for professional development of personnel of local self-government authorities | 91.7 | 66.7 | 25.0 |
| Tourism development programs | 75.0 | 50.0 | 25.0 |
| Tax incentives, subsidies, loans for new businesses | 75.0 | 75.0 | 0.0 |
| Investment in infrastructure development | 66.7 | 41.7 | 25.0 |
| Consulting and methodological assistance, dissemination of the best practices of municipal management from the experience of the region and other regions | 66.7 | 41.7 | 25.0 |
| Small and medium business support programs | 66.7 | 58.3 | 8.3 |
| Business Support Institutes (Vologda Region Development Corporation, ADBI "My Business", Business Incubator) | 58.3 | 50.0 | 8.3 |
| Formation of production clusters | 41.7 | 25.0 | 16.7 |
| Public investment in manufacturing and services | 41.7 | 25.0 | 16.7 |
| Programs for the development of single-industry towns | 16.7 | 8.3 | 8.3 |

Source: own calculations based on the survey of administration heads of small towns of the Vologda Oblast.

Urban Area” has recently been, perhaps, one of the most successful in terms of improving the courtyards and public areas of settlements. Every year, a number of small towns participating in the project increases, and the amount of allocated funding increases. For example, in the Vologda Oblast in 2019, out of 685.1 million rubles allocated for the project's implementation, 68.7 million rubles were given in the form of grants to the winners of the “All-Russian competition of projects for creating a comfortable urban area in small towns and historical settlements”: 55 million rubles for Vytegra (2018 winner) and 13.7 million rubles for Tot'ma and Ustyuzhna (2019 competition winners)⁵.

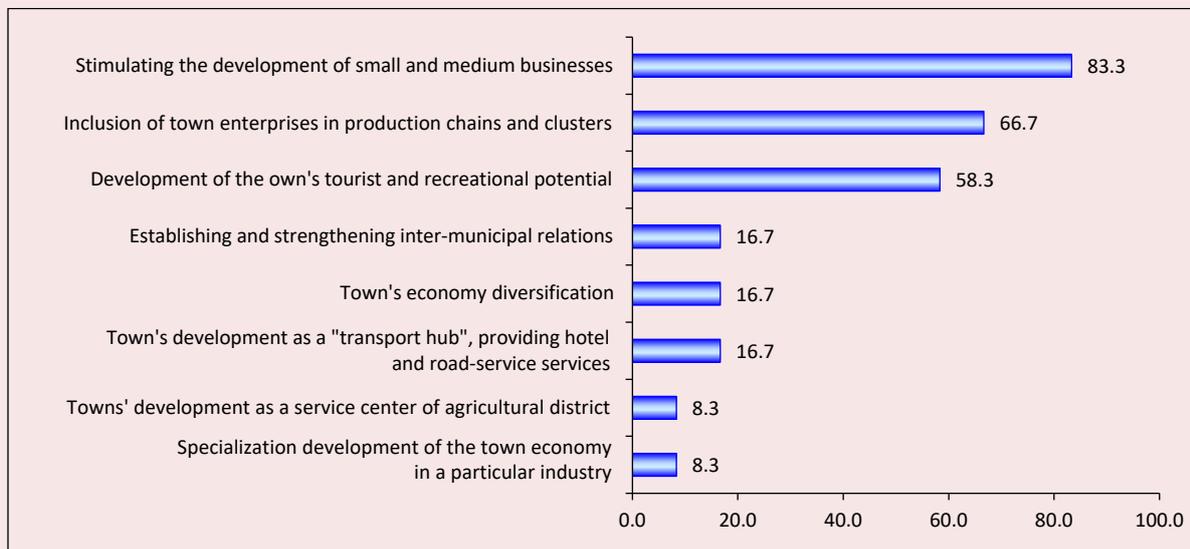
An important area of urban economic development is the stimulation of the development of small and medium businesses. Most survey participants proved it (83.3%). Two out of three

⁵ Official website of the Vologda Oblast Government. Available at: https://vologda-oblast.ru/grazhdanam/zhkh/gorodskaya_sreda/ (accessed: January 25, 2021).

representatives of local governments associate the town's development with the inclusion of urban enterprises in production chains and clusters (Figure). However, according to the survey, investments in production or services are made in just over half of towns. The research of the Institute of Regional Economics [27, p. 120] also emphasizes the importance of implementing these measures, especially for towns with a single-industry economy.

Along with the choice of directions for the further development of small and medium towns, the definition of management approaches is no less important. In this issue, the opinions of leading researchers agree on the choice of strategic planning as the optimal and effective approach. The transition to it represents not only a new level of “quality” for the entire system of state and municipal administration, but also a more successful solution to the urgent problems of territories' spatial development [16].

Responses' distribution of the heads of administration of small towns of the Vologda Oblast to the question "In your opinion, what should be emphasized when choosing directions for your further town development?", % of the respondents' number



At the same time, as practice shows, despite the already noticeable effect by a number of municipalities from the introduction of strategic planning tools in the government authorities' activities, currently not all small and medium towns actively use this approach. As a result of a large-scale study conducted at the International Center for Socio-Economic Research "Leontief Center" [22], it was revealed that the main constraints are the lack of financial resources, the lack of experience and knowledge of local authorities, as well as a low level of implementation of strategic planning tools in small and medium towns. The last point is largely caused by the fact that, in 172-FZ "On Strategic Planning in the Russian Federation"⁶, there is no clear indication of the need and obligation to develop strategic documents at the municipal level.

The survey results of administration heads of small towns of the Vologda Oblast indicate that the municipal authorities understand and recog-

⁶ On strategic planning in the Russian Federation: Federal Law no. 172-FZ, dated June 28, 2014.

nize the importance of strategic planning: all the respondents noted the importance and necessity of creating a strategy for the small and medium towns' development. At the same time, more than half of the survey participants (58%) believe that this is primarily the task of regional government authorities. Every fourth respondent support the opinion that these issues are the competence of federal authorities. Only 17% of respondents noted the need to adopt a strategy at the municipal level.

The idea of creating and implementing a federal program or strategy for small and medium towns' development has been repeatedly voiced in the Russian researchers' works. However, it is necessary to note that the Russian territories are characterized by a high differentiation level. In addition, small and medium towns are the most numerous categories of towns; each one has its own personality, and, therefore, when creating a truly working federal program, it is necessary to consider the specifics of this category of localities. It is fundamentally important to pay attention to the economic and

geographical features of the region in which they are located. All this will constrain the strategic planning process. Consequently, the strategies' development at the regional level seems to be a more effective tool for managing small and medium towns' development.

Due to the high intraregional differentiation, it is also advisable to determine the priorities for the settlements' development depending on their type. It is established in accordance with the town's position in the settlement system and its economic profile. The choice of these criteria is substantiated by the fact that they are characterized by a high stability degree and allow identifying potential growth points of the urban economy, determining promising areas of town's development as an integral part of the country's economic space.

Depending on the position in the settlement system, the main principle of assigning a town to a particular type is its inclusion in the existing or potential urban agglomerations, and in accordance with this, the directions of its further development are established. For small and medium towns that are part of agglomerations, one of the main strategic priorities should be to strengthen socio-economic ties with other settlements that are also part of it. The relocation of some industrial enterprises located in large cities or the creation of their divisions in small and medium towns will help to expand the labor market and increase employment. Also, small and medium towns can be considered recreational areas by people living in cities.

The priorities for small and medium towns' development, located outside urban agglomerations, may be inter-municipal interaction with adjacent rural areas. Moreover, it is important to focus not only on stimulating the agro-industrial complex, which is traditionally characteristic of rural areas, but also on the development of non-agricultural industries [28].

If, in terms of determining a town's position in the settlement system, the principle of assigning a locality to a particular type is transparent and clear, then, while justifying the economic profile, everything is not so clear. In our opinion, there are two main options for solving this problem. The first variant is the development of already existing and most potential branches of the town's economic specialization; the second is the choice and development of new priority areas of the urban economy. However, in practice, the implementation of both options has several features and difficulties that need to be taken into account.

Choosing the first option, the main question is how to determine the town's specialization. In this case, the main source of information is statistical data on the volume of products shipped and the average number of organizations' employees. At the same time, for small and medium towns, the indicators that characterize the employment structure in the context of the Russian National Classifier of Types of Economic Activity sections are completer and more accessible [29]. Additional information sources, when assigning a town to a particular type, are data from municipalities' official websites, as well as the expert community's opinions.

Based on this methodology, we have identified seven different types of towns depending on their economic profile:

- agricultural and timber industry;
- mining (raw materials);
- industrial;
- transport;
- tourist;
- non-specialized;
- diversified [29].

Using the example of the Russian North's regions, we tested the typology of small and medium towns according to two criteria: a locality's position

Table 5. Small and medium towns' distribution in the Russian North's regions depending on a town's type

| Town's place in the settlement system Town's specialization | Towns included in agglomeration | Towns-local centers of adjacent territories |
|--|--|--|
| Agricultural and timber | Kadnikov, Gryazovets | Vel'sk, Onega, Shenkursk |
| Mining (raw materials) | Olenegorsk | Kovdor, Vorkuta, Inta, Buktyl, Kostomuksha |
| Industrial | Sokol, Koryazhma, Novodvinsk, Polyarnye Zori, Monchegorsk, Kondopoga | Zapolyarnyi, Pechora, Segezha, Medvezh'egorsk, Kem' |
| Transport | Kotlas | Babaeva, Nyandoma, Mezen', Mikun' |
| Tourist | – | Velikii Ustyug, Tot'ma, Kirillov, Ustyuzhna, Kargopol', Sol'vychevodsk |
| Non-specialized | Kola, Gadzhievo, Polyarnyi, Snezhnogorsk, Severomorsk | Nikol'sk, Kharovsk, Krasavino, Sortavala, Pudozh, Olonets, Lakhdenpokh'ya, Mirnyi, Ostrovnoi, Zaozersk |
| Diversified | Apatity, Kirovsk, Ukhta, Sosnogorsk | Belozersk, Vytegra, Nar'yan-Mar, Kandalaksha, Usinsk, Emva, Belomorsk, Pitkyaranta, Suoyarvi |

Source: own calculations.

in the settlement system and a town's economic profile, identified on the basis of its economic specialization (*Tab. 5*).

The presented definition version of a town's economic profile allows clearly identifying the most developed specialization branches based on the current economic structure. However, its main disadvantage is that it does not take into account new, potentially promising development areas. In fact, we only get a retrospective view of the small and medium towns' specializations. Focusing only on the past, it is impossible to exclude a possibility that the current towns' economic structure may become a brake on their further development. The infusion of financial resources into already outdated economic sectors in some cases will only lead to a senseless budget expense.

However, using this method of identifying promising specialization areas will make sense if we use an innovative approach to their development. For example, for agricultural small and medium towns, one of the directions may be the allocation of subsidies for agricultural enterprises' modernization including the digital technologies adoption, artificial intelligence, and artificial neural networks [30]. For small and medium mining towns, whose economy is based

on the development of natural deposits, the raw material factor plays a key role. On the one hand, the resource base availability is an incentive for their development, and, on the other hand, it carries great risks. The situation, when raw materials are no longer in demand, becomes a serious problem for the town. Similar examples were recorded in the times of the Russian Empire and in the post-Soviet period. For example, Olonets and Ustyuzhna were major industrial centers in the 16–17th centuries due to the extraction of marsh iron ore. However, with the beginning of the deposits' development of Ural iron ores, marsh iron practically ceased to be used, as a result, both towns lost their former importance.

In the post-Soviet era, a typical example of such a situation is the single-industry towns of the Komi Republic, specializing in coal mining: Vorkuta and Inta. Currently, one of the few promising options for the mining industry's development can be the new products' creation based on traditional raw materials. For example, in China, coal is used to produce motor fuel⁷. Accordingly, one of the

⁷ Grachev S. *Extraction of the Strongest. How to Survive for the Coal Industry Enterprises*. Available at: <https://www.forbes.ru/biznes/352135-dobycha-silneyshih-kak-vyzhit-predpriyatiam-ugolnoy-promyshlennosti> (accessed: February 1, 2021).

key economic areas of mining towns should be investments in the introduction of new technologies for deep processing of raw materials.

There are similar examples for other towns' types identified on the basis of the analysis of their existing economic structure. It is important to understand that, when using this approach to determining the directions of small and medium towns' development, the main task is not only to choose the key specialization areas, but also how to develop them, what technologies and tools to use.

The second variant for developing the economic "core" of small and medium towns is to identify and develop new specialization areas. In this case, the main question is how to choose them and what should serve as the basis. In recent foreign and Russian studies, the concept development of "smart specialization" has been of the greatest interest [31–35, etc.]. As one of the works has noted, the interest in smart specialization is largely due to "the spread of managerial fashion on certain innovative topics, technologies, projects based on the industry structure that has developed in the regions, and not on its prospective changes". The main difference between the "smart" specialization and the traditional one is that it does not select individual industries as growth points but defines a set of economic activities in relation to regional competencies [32]. The basis for the economic development in this case will be "a fuzzy, blurred core of regional scientific and technological knowledge and technologies around which other branches of the regional economy are grouped". One of the advantages of this concept is that smart specialization can be used in different regions' types, not just high-tech ones.

However, in relation to small and medium towns, this approach implementation has several methodological difficulties. An urgent task is to identify for each locality the types of economic activities related to its "smart specialization".

The basis for determining the key components of its integrated assessment can be already existing developments in relation to the region [36].

Discussion on the results and conclusion

Currently, Russian small and medium towns are of great and clearly underestimated importance in the country's spatial development and the formation of a balanced settlement system. The transition to market relations has had a negative impact on the development of these localities. At the same time, the reform of local self-government was supposed to help solve the accumulated problems, but, in fact, it did not change much. The high level of subsidized budgets, the low level of qualification of local management personnel, and the dependence on higher authorities are still relevant for the vast majority of small and medium towns.

In the current situation, it is at least unreasonable and pointless to place the solution of the problems that have accumulated over more than a quarter of a century on the shoulders of local self-government authorities and expect changes for the better. The fact that many small and medium towns will not be able to embark on the path of sustainable socio-economic development without federal and regional assistance is recognized not only in scientific circles, but also among state authorities. In this context, the question of who and how should implement policies for small and medium towns' development remains debatable. The problem of choosing promising directions for the development of urban economic sectors also comes to the fore.

It is increasingly obvious that the definition of the economic specialization of municipalities on the old, formed in the Soviet era approaches with a high degree of probability will only lead to an empty expenditure of resources and budget funds. The concept of "smart specialization" in this case looks quite promising, but for the full use of this

approach, there are currently several limitations due to insufficient elaboration from a scientific and practical point of view.

The scientific significance of the research is to substantiate the need to develop new approaches to managing the small and medium towns' development, considering a wide variety of their types. The basis for determining the future directions of the town's development should be its position in the settlement system, as well as economic specialization. The choice of the priority economic sectors, in turn, should be based

either on the current economic structure, a town considering innovative development, or the "smart specialization" concept.

The practical significance of the research is a possibility of using the results by federal or regional authorities in the development of priority areas for the small and medium towns' development. The task of the next research stage on this topic will be to develop a methodological approach to determining the "smart" specialization of municipalities, based on the balance of interests of government, business, and population.

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