

On the practice of strategic approach to administration in the municipalities of the Russian North

The article presents the results of the analysis of institutional prerequisites for and the practice of strategic planning and management in the municipalities of the Russian North. Implementation of a strategic approach in management is particularly important in the Northern municipalities, as it is an important means of tackling such negative trends, as depopulation, migration outflow of population and other socio-economic problems. The article defines the main factors promoting or hampering the application of strategic management technologies in Northern cities, towns and municipal districts.

Local self-government, strategic management, strategic planning documents, socio-economic development of cities and towns in the Russian North.



**Vladimir V.
DIDYK**

Ph.D. in Economics, Deputy Director for Science at G.P. Luzin Institute of Economic Problems of Kola scientific centre of RAS (IEP KSC RAS)
didyk@iep.colasc.net.ru

The application of strategic approach, which implies the development and implementation of medium- and long-term strategies (strategic plans) of territorial entities' development receives acknowledgement and becomes more widespread in the theory and practice of territorial socio-economic systems governing (administration).

For Russian municipalities, especially cities and towns, strategic management, accumulating the most advanced management techniques, is regarded as an innovation type of management, the development and application of which begins with strategic planning as a component of one of the stages of strategic management. Application of the strategic management system

in the municipalities of the Russian North is especially relevant, as it is an important means of overcoming depopulation and population's migration outflow, of solving the problems of single-industry towns and achieving sustainable development on the vast space of the Russian North and Arctic [1, p. 45-47].

In 2010 – 2011 the Sector for Socio-Economic Development of Municipalities, which is a subdivision of the IEP KSC RAS Regional and Municipal Management Department in the North of the Russian Federation, studied the practice of applying the strategic management tools in the municipalities of the Russian North. The present article is based on the results of this research.

* The abridged version of the article prepared for publication in the journal "Regional economy: theory and practice", Publishing House "Finances and Credit" (submitted to the editorial office in April 2012, confirmation of acceptance for publication has not been received yet).

Organization of strategic management at the municipal level has its own specific features. They mainly result from the fact that the role of the subject of management here belongs to local self-government bodies (LSG) that are not included in the system of state power, and the very LSG institution has a dual nature as a form of public authority and a civil society institution, providing self-government of local communities.

In the Russian Federation, the Federal law "On the general principles of organization of local self-government in the Russian Federation" No.154-FZ dated 12 August 1995 stated for the first time the task of *the comprehensive socio-economic development of the municipality* as one of the *issues of local importance*. Accordingly, it became necessary to apply the advanced technology of strategic planning and management. Obviously, big cities, possessing strong economic and intellectual potential, became pioneers in applying the strategic approach to the management of their own development. These municipalities have begun to work out the documents of strategic planning of socio-economic development (strategies, strategic plans, concepts, long-term comprehensive programmes) and organize their implementation.

In recent years, the practice of developing the strategic planning documents at the municipal level has not become common yet; however, according to some estimates, about one-third of Russian cities and towns use one or another type of strategic planning document. At the same time, strategic development plans are now appearing in the municipal districts as well.

The growth in the number of municipalities using a strategic approach in management practice, is to a certain extent determined by the requirements for the state power bodies at the Federal level.

Along with the factors stimulating the cities and municipal districts to engage in strategic planning, there is a considerable number of obstacles.

These include, first of all, the institutional, economic and personnel-related problems of establishing a local self-government system in Russia. Despite the constitutional principles of LSG independence, the state policy of centralization of power led to the fact that local authorities became actually "incorporated", both economically and politically, into the vertical power structure [2, p. 11]. The imbalance of LSG bodies' powers and available resources, mainly financial, leads to their strong dependence on the state authorities, the inability to form their own socio-economic policy and its implementation strategy. Due to severe budget restrictions, municipalities have to direct all the available resources to the handling of urgent current problems, which, as a rule, means ignoring the issues of development.

Unfavourable preconditions of using strategic planning and management in the municipalities of the Russian North, that are common for both Russian cities and municipal districts, are aggravated by a number of factors, impeding the formation and implementation of the socio-economic policy of the territories. These factors include harsh environmental conditions, remoteness from economic centres, underdeveloped transport and engineering infrastructure of settlements, which increases the cost of living, current and capital expenditures of local budgets, limits the opportunities for the development of entrepreneurship, aggravates demographic problems [3, p. 21-23].

Despite all the difficulties and restrictions, the municipalities of the North, as the analysis showed, have been already engaged in implementing the methods of strategic planning of their socio-economic development since the beginning of 2000s. Study of strategic planning and management practice in the Northern municipalities was based on empirical data – strategic planning documents and reports on the results of socio-economic development, presented at the official web sites of cities and municipal districts.

The sample of the research included the cities and towns with the population of 20 to 100 thousand people, located on the territories of the Far North and other areas equated to them. Out of the total number of the surveyed cities (51), 20 possess the approved strategic planning documents, i.e. the prevalence rate of strategic planning implementation in the Northern municipalities is not inferior to the average indicator for Russia. The majority of towns and municipal districts adopted strategic planning documents in the last years (2009 – 2011). Therefore, it was possible to analyze and evaluate only the content of the strategies (strategic plans)¹. As for the towns, where several years have already passed since the adoption of the strategies, it was possible to assess some of their implementation results.

The experience of the Northern towns – the pioneers of strategic planning

Kostomuksha (Republic of Karelia) is one of the first Northern towns, which started implementing strategic planning methods. In 2002, the Strategic plan of socio-economic development of the town of Kostomuksha up to 2015 was worked out and approved. The scientists from Karelian research centre of RAS along with the representatives of the authorities, business, local community took part in the drafting of the plan. In 2006, the city strategic plan was adjusted and a new, supplemented version was adopted for the period up to 2020, as a number of tasks of the first phase of the plan had been solved [4].

In particular, considerable progress was achieved in the implementation of one of the main strategic directions of the plan – diversification of the economy, its reorientation from a single-industry specialization (ferrous

metallurgy) to the development of other promising sectors, transport, trade and services. The policy of attracting investments in the framework of this direction was successful. The annual volume of investments in the town's economy has increased almost 6-fold for the 2002 – 2007 period. Due to the attraction of external domestic and foreign investments, a number of new, internationally competitive enterprises, including the producers of assembly parts for the automotive industry of the international concern PCS Group, the production of furniture of the Swedish company IKEA, etc.

There has been a noticeable decrease in the dependence of the town's economy on the local economic mainstay – the mining and metallurgical enterprise OJSC Karelsky Okatysh: the share of its personnel reduced from 43% in 2002 to 28% in 2007. This significantly reduced the threat of unemployment leap in 2008 – 2009, which was the period of decline in metallurgical production under the influence of the global financial and economic crisis.

The updated strategic plan of the town's development not only retains the importance of economy diversification, but also strengthens it with the emphasis on the need of establishing industrial clusters, as well developing other activities, including the use of the territory's transit potential (development of transport corridors). Due to the reorientation to new activities, it is planned to reduce the share of those employed in ferrous metallurgy to 17% to 2020.

Although it is obvious that definite progress has been achieved, not all the directions of Kostomuksha strategic development plan are being implemented consistently and efficiently. In general, one can hardly consider the city or town as an example of effective strategic management implementation. Firstly, in regularly published reports on the town's socio-economic development there is no linkage between the achieved results and the

¹ Such essential elements of a strategic planning document, as strategic analysis, the system of development goals and target indicators, the justification of the priority directions of the goals achievement, the mechanisms of implementation monitoring and control of the strategy were evaluated.

parameters and objectives set in the strategic plan, i.e. the reports do not contain the strategy implementation monitoring, though it is envisaged by the strategic plan. Secondly, despite the fact that the main mechanism of the strategy realization is the implementation of municipal target-oriented programmes, the scope of using this mechanism is clearly not wide enough. So, although the number of such programs is quite large (16 in 2010), the total amount of their annual funding (28.1 million rub.) is less than 3.5% of local budget expenses. In addition, not all the strategic directions are “covered” by target programmes.

Thus, one can conclude that the development of a strategic plan (and even its actualization in a certain period) is a necessary but not sufficient indication of the full-fledged application of strategic management methods. Strategic management efficiency is achieved when the whole range of its principles (and not its separate elements) is used in everyday management practice, which is the goal for local self-government bodies.

Another example of strategic planning is the town of Apatity in the Murmansk Oblast. In 2002 it adopted the Strategy of socio-economic development of the town of Apatity. Its development was facilitated by the grant received according to a competitive application of the administration in the framework of the programme “Towns of Russia” launched by the Open Society Institute (Soros Foundation). The programme envisaged the use of grant funds for working out the town development strategy and paying for the services of specialized scientific and advisory organizations attracted for this purpose.

The content and organization of the process of developing the strategy of the town of Apatity generally comply with the main methodological requirements to the strategic planning of the town development. In particular, a wide-scale participation of the town community in the strategy development was provided by

conducting surveys, organizing seminars, discussions with the heads of enterprises, experts, and representatives of public organizations.

However, while assessing the implementation of this strategic document, one can point out a number of shortcomings. For instance, the system of target indicators, stated in the text of the strategy, hasn't been developed. Public monitoring of the goals and tasks realization and their updating are not carried out either. The features typical of the majority of Northern towns comprise the lack of their own sources of municipal projects and programmes' funding, high subsidization of the budget under the volatile conditions of the provision of transfers from the regional budget. These features are the principal factors, which hamper the implementation of the strategy goals and objectives.

The pioneers of strategic planning among the Northern municipalities also include the town of Urai (Khanty-Mansi Autonomous Okrug), which in 2003 adopted the Strategy of socio-economic development of the town of Urai for 2004 – 2010. It was developed in line with the Concept of socio-economic development of the Khanty-Mansi Autonomous Okrug adopted in 2002.

The Urai strategy contains almost all the main elements of a strategic document, except for target indicators. It was proposed to achieve the strategic goals of the town's development by preserving orientation on the oil-extracting industry as the branch of production specialization, and also on the development of innovation potential and economy diversification.

In 2004 – 2010, the town's oil and gas complex (OGC) developed in accordance with the strategy guidelines. At the same time, no progress was achieved in the economy diversification. Such directions, stated in the strategy, as peat digging, timber harvesting and related productions were declining.

Some of the indicators of socio-economic development of the town of Magadan according to forecast scenarios and their actual values in 2010

Indicator	Scenarios		Reporting values according to years		
	inertial	positive	2005	2009	2010
Population size, thsd. p.	107.8	108.5	107.2	106.4	106.3
Unemployment rate, %	1.4	1.3	1.4	not available	0.94
Number of small enterprises	1000	1200	956	2048	not available

Food industry continued to partially satisfy only the town's internal needs. The problem of the town's transport isolation, as well as the task of innovation potential development, which was originally insufficiently grounded, were not solved. The town has only one branch of the university, which can hardly be regarded as a serious basis for R&D and innovation activities. The number of small enterprises and individual entrepreneurs has somewhat increased, but the main scope of their activities is trade and services.

In general, the strategy of town's development has not become a document, seriously taken into consideration in the activities of the local self-government bodies.

Northern towns' development strategies of 2006 – 2010

After the first examples of strategic planning implementation in the Northern towns in the early 2000s (i.e. before the entry into force of the Federal law No. 131, which launched a process of profound reforms in the system of local self-government in the country), the strategies for municipalities have not been developed for several years. In 2005 – 2006 this was, obviously due to the influence of a transition period and the adaptation of towns to the new legal requirements.

The towns that have adopted strategic documents under the already effective Federal law No. 131, include Magadan, where a strategic plan was adopted in 2007. Content analysis showed that the plan includes all the main elements of a strategic planning document. When assessing the organization of the plan's implementation, a number of positive moments can be pointed out.

This is, firstly, the close interdependence of all working target programmes and measures and the defined directions of the activities and secondly, the regular monitoring of the strategic plan targets' realization and disclosure of the relevant information on the official website of the town². For example, the information published on the website in July 2010, shows that for the majority of indicators, according to 2 development scenarios (inertial and positive) envisaged by the strategy, the town implemented the positive scenario. Here are some control indicators of the plan and their actual achieved values (*table*).

The experience of strategic planning in Magadan can be assessed as a positive one, both in the content of the strategic plan and in the organization of its implementation.

The analysis of strategic documents adopted in 2009 – 2010, by other municipalities allowed distinguishing several groups. The first one comprises strategic documents of municipal entities of the Komi Republic (the town of Usinsk, Pechora municipal district, the town of Inta), that have the same name (Concept of socio-economic development of the municipality...for 2011 – 2015 and for the period up to 2020) and which were worked out around the same time. Such uniformity is due to the fact that the development of the mentioned strategic documents had been organized in accordance with the Decree of the Government of the Republic of Komi No. 260-r dated 18 June 2010 and in the light of methodological recommendations of the Republic's Ministry of Economic Development.

² See e.g. the town news. Publication date 08 July 2010. Available at: <http://www.magadangorod.ru/index.php?newsid=9427>

The Decree execution was subsequently controlled by the region's authorities. Accordingly, in November 2010, the Head of the Komi Republic held the meeting of Coordination Council on the issues of local self-government, where the decision was made obliging all the municipal regions and urban districts to adopt the development concept before 1 January 2011³. In addition, the meeting participants criticized quite a few of the already developed concepts, not complying with the requirements set for strategic documents. They also criticized the low publicity of the drafting process of the concepts, which sometimes weren't even brought to public attention.

It is obvious that the efforts of the Government of the Komi Republic are caused by the desire to speed up the introduction of strategic management methods in the work of local authorities. Meanwhile, the acceleration of this work was hardly justified, as it hampered the local community involvement in the strategic planning process, and it is the most important condition for strategic management efficiency.

The second group, which is also the largest one, comprises seven towns of the Khanty-Mansi Autonomous Okrug (KMAO). The content of the strategic documents of these towns varies greatly. For instance, the development strategy of the town of Langepas can hardly be regarded as a proper strategic document. Despite its size (three volumes of text), the final third volume contains only the system of general goals, without the definition of target indicators, and the list of formal descriptions of the proposed (hypothetical, expressed only as ideas) "investment projects". This strategy doesn't link the established system of targets and the activities aimed at their achievement; the mechanism of the strategy implementation and monitoring is not defined either.

³ The Komi Republic municipalities should adopt the concepts of socio-economic development before 1 January 2011. The report of the Komiinform news agency dated 12 November 2010. Available at: <http://www.komiinform.ru/news/72387/>

There are no such faults in the strategic documents of the towns of Megion and Nyagan. The analysis of the Strategic development plan of the town of Nyagan municipality for the period up to 2020, approved by the Town Duma in October 2010 is of a particular interest.

The following features of this document can be highlighted:

1. *The high level of the strategic plan's preparatory work*: the drafting was supervised by the Coordination Council on the town's strategic development (co-chairmen: the Head of the Town and the Deputy Head of the KMAO Governor's Administration). The Council included a large group of scientists, mainly the specialists from the Institute of Strategic Planning under the Ural State University of Economics, entrepreneurs, the representatives of public organizations and town administration. In the framework of the Coordination Council 6 expert councils were created for each of the priority development directions.

2. The wide-scale public discussion of the draft strategic plan that resulted in a great number of proposals and requests contributed by the townspeople and taken into account by the developers, which ensured its status as a document of the whole urban community.

3. *A clear, but not quite traditional structuring and interpretation of some concepts of the strategic plan*: among 6 sections the largest is the section, in which for each of the major (strategic) development directions, simultaneously treated as sub-targets of the first level, the programmes are determined and in their structure – the related projects as sub-targets of the second level.

The experience of the town of Dudinka located in the Taymyrsky Dolgano-Nenetsky Municipal District (Krasnoyarsk Krai) is one of the special cases in the strategic planning practice. Firstly, it is one of the few cities of the Arctic zone of the Russian Federation that has its own strategic planning document.

Secondly, it is an *urban settlement* in the municipal district, the functions and economic base of which are significantly inferior to the municipalities with the status of town districts. Nevertheless, the strategic document of the town of Dudinka⁴ has almost all the major elements of a strategic document. Local self-government bodies of the town were able to organize the successful implementation of the plans on a number of directions. Economic growth is ensured in the major sectors of the economy (gas output, heat production, fishery), the unemployment rate has been reduced (from 6.3% in 2007 to 3.7% in 2010), the problem of housing conditions improvement is being handled, although the rates of improvement are not equal to those stipulated by the target indicators.

In general, by 2010, the level of achieving the target (control) indicators of the Comprehensive programme on the socio-economic development of the town of Dudinka had amounted to 40%. Low degree of achieving the set goals is caused not only by objective difficulties of solving socio-economic development tasks in the extreme environment of the Arctic.

Additional difficulties are caused by organizational problems, emerging due to the imperfection of legal regulation of the relations between LSG bodies of the urban settlement and the municipal district, especially in the issues of budget planning and execution⁵.

⁴ The Comprehensive programme on the socio-economic development of the municipal entity the town of Dudinka for 2008 – 2017. Available at: <http://www.gorod-dudinka.ru/administracziya-goroda/programma-soczialno-ekonomicheskogo-razvitiya>

⁵ The Head of the urban settlement Dudinka A.M. Dyachenko in the report published in the collection of Parliament hearings in the Council of Federation dated 25 November 2010 “On the problems of realization of powers of the local self-government bodies in the regions of the Far North” gives a detailed analysis of the legal and practical conflicts in the relations between the government authorities of the municipal district and settlements. Available at: <http://www.severcom.ru/analytics/>

Thus, the following conclusions can be made on the basis of the analyzed practice of strategic planning (as the first stage of strategic management) in the municipalities of the North, and on the basis of the other, more general information concerning the institutional conditions of strategic management at the municipal level.

1. The first examples of strategic planning in the towns of the Russian North can be found in the early 2000s, and by 2010, this advanced management method has been implemented in approximately one third of the total number of towns. At the same time, the territorial distribution of these towns is rather uneven. The factors facilitating the expansion of strategic planning include either relatively favourable economic conditions in a region (as the case of the Khanty-Mansi Autonomous Okrug), or the active position of the regional authorities (as in the Komi Republic, where, however, the administrative pressure is used unreasonably).

2. Despite the growing number of methodological recommendations for the strategic planning documents drafting, their content remains very uneven, due to the fact that municipalities have no methodological foundations for strategic planning that are generally recognized by the expert community and approved at the federal level.

3. It is the town districts that mainly apply strategic planning methods. Other types of municipal entities, i.e. municipal districts and their comprising settlements face contradictions due to the division (and in some cases, combination) of the subjects of control and powers in the framework of one and the same territory. These contradictions impede not only strategic planning and development management, but also current working issues.

The fact that some municipal districts have strategic plans is conditioned, as a rule, by the requirements of the regional power bodies, as

they, in fact, continue to function as the administrative-territorial units of the RF subject and their bodies in many aspects acquired the status of the territorial bodies of the regional authority.

4. The practice of attracting external scientific and advisory organizations to the drafting of strategic plans is now used widely.

This may produce a positive outcome only if the Head of a municipal entity, the local self-government bodies as well as the local community including entrepreneurs' associations, the representatives of science, education and public organizations will be actively involved in the process of drafting and implementing the strategic plan.

References

1. Ryabova L.A. Problems of application of the sustainable development concept in the Russian Federation: from the national level to the Northern aspect. *North and market: formation of economic order*. 2010. No. 1 (25). P. 44 – 49.
2. Starodubrovskaya I.V., Glazychev V.L. Real federalism, local self-government, inter-budgetary policy. *Issues of local self-government*. 2011. No. 3 (37). P. 11 – 20.
3. Selin V.S. Economic crisis and sustainable development of the Northern territories. *North and market: formation of economic order*. 2010. No. 1 (25). P. 20 – 25.
4. Zamula A. Kostomuksha: the experience of the territory's development. Available at: <http://www.regionpr.ru/page271.html>