

UDC 332.146.2(470)

LBC 65.050.22(2Rus)

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## Forming of the regional institutions of spatial development of the Russian Federation\*

*This paper reviews the ability and willingness of regions and municipalities to upgrade spatial development using a systemic approach to the selection of programme-project priorities and institutions of market development. The potential of individual factors and institutions in the areas of systemic modernization of regions and territories is reviewed; the need for programme-project upgrade of the federal structure of the Russian Federation is substantiated. New institutions of regional development – self-development of the regions and municipalities, the formation of business area, program-project planning, spatial development etc. are proposed.*

*Spatial development, sources, factors and institutions of programme-project management of modernization processes, self-development of regions and areas as the most effective institution of a federal structure of society, cluster and programme-project planning strategy and management of spatial development.*



**Aleksandr I.  
TATARKIN**

RAS Academician, Director of the Institute of Economics of the Ural RAS department  
tatarkin\_ai@mail.ru

The transition of the Russian state to the innovational socially-oriented scenario of economic development is possible with a serious increase of the role of science in the advanced development of those sectors of domestic economy, which determine its specialization in the global economic system and allow implementing the national competitive advantages to the maximum extent. This approach requires implementation of a set of interconnected transformations of resources, time and stages of modernization both of sectoral and territorial nature.

The latter should include the need for transition to a new model of spatial development and management of the Russian economy, which will allow, *on the one hand*, creating a framework of regional (republic, oblast, krai, okrug) and territorial (city, district) focal points for economic growth that will create and transfer innovation impulses of modernization and economic development to neighboring entities.

*On the other hand*, it will allow controlling these processes on the basis of market institutions, bringing peripheral and outlying

\* This paper was written with the support of means of the Russian Academy of Sciences and the Ural RAS department, Programme No. 31 “The role of space in the modernization of Russia: natural and socio-economic potential”. Academic adviser: RAS Academician V. M. Kotlyakov.

regions and territories to the path of rapid and sustainable development<sup>1</sup> [1, 19 – 30].

### **Modernization mission of agglomerative associations**

At the stage of post-crisis recovery of the Russian economy, the need to strengthen the role of science *in the justification of the “smooth” transition from regional policy to the new alignment of its type, appropriate to the federal structure of Russia*, to enhance the processes of innovational development and the formation of its social orientation, increases. There is a need to increase, not decrease the research intensity and capacity of the decisions in all areas of social development. We consider the ideology of this transition in addressing a full range of problems on creating a market environment in the Russian space which is favorable for the development.

The problem of active and purposeful formation of the *institutional environment* by the state through the system of market and more progressive institutions of development and norms that contribute to the creation of *a polycentric spatial structure of the national economy* aggravates. This means the formation not of a couple, but of a multiple framework of economic growth centres, which in most countries of Europe, as well as in China, include virtually all the major regions and major cities, and that contributes to the network effect around these centres. The development impetus should be given also to small and medium-sized cities in the development, as well as their inclusion into agglomerations and other peripheral and outlying areas. Among these centres, which can now fulfill this mission, we name the following ones: Moscow, Saint Petersburg, Yekaterinburg, Chelyabinsk, Samara, Tolyatti, Nizhny Novgorod, Volgograd, Vologda, Kazan, Ufa, Novosibirsk, Tomsk,

<sup>1</sup> More details on this subject are described in this paper: Tatarkin A. I. Historical mission of an average region in modernization of the Russian economy. *Federalizm*. 2011. No. 1. P. 19-30.

Omsk, Krasnoyarsk, Irkutsk, Khabarovsk and Vladivostok agglomerations, plus the agglomeration of southern Rostov Oblast and Krasnodar krai<sup>2</sup> [34, 239 – 252].

We consider the question as essential, whether the flywheel of agglomeration benefits should start at the individual and the most prepared for agglomerational association centres. Or, it would be preferable, by targeting at large-scale effect, to operate across the spectrum of already formed or forming agglomerations by connecting to their operation the new territories, previously not involved into agglomerational subcontractions. Doubts and delayed actions are due, in our opinion, *first of all*, to the lack of a clear answer to the question of the effectiveness of agglomerational cooperation. It is stated, in particular, that the effect is usually monopolized by large centres with serious growth potential. *Second*, due to the lack of serious scientific researches (methods, concepts and regulations) to establish and “launch” agglomerational associations and their focus on systemic development of territories within the agglomeration areas. Unfortunately, there is no interest of the power structures of regions to attract serious research teams to create, “launch” and scientifically support agglomerational agreements. Without this, the organizers constantly face the problems that cannot be solved solely proactive, relying only on the practical knowledge and experience.

In principle, we can assume that a large-scale strategy at the initial phase will include activation of a limited number of agglomeration associations, to the launch of which all the levels of government will be connected, as well as the financial resources including federal ones, plus regional scientific community and the public.

<sup>2</sup> The experience in the development of agglomerations and management models are reviewed in the paper by R.V. Babun “Agglomeration of cities as an object of management”. *Region: economics and Sociology*. 2012. No. 2. P. 239-252.

But each agglomeration has an individual character and cannot be formed as a “carbon copy”, without serious scientific study and scientific support, even in the interest of minimizing the possible risks of loss of benefits. It is necessary to pre-determine the mechanisms of diffusion (distribution, transmission) of positive experience to other regions and territories, because the market cannot do it independently. Its missionary role consists in preserving and deepening the unevenness as a natural result of market competition between regions and territories for maximizing the impact and revenue. The lack of effective diffusion mechanisms is a serious reason for unsuccessful modernization in many countries; it is particularly noticeable in Russia during the market reforms in some sectors and areas (education, health, housing services and utilities, etc.).

Distinguishing and maintaining the centres is an important, but not the only one problem to be solved. *The search for new territorial sources and institutions of competitiveness growth* is necessary. In developed countries, including the European Union, which is known for its long traditions in the field of regional policy, a strategy focused on the introduction of the idea of territorial cohesion and, therefore, a balanced approach to territorial development was formulated and implemented. European countries recognized innovational development as a scientific fact of economic growth *and not only through major cities*. The efforts of the Chinese leadership are activated to enhance the role of peripheral and outlying areas in the development problems by the expansion of their infrastructure capabilities<sup>3</sup>.

<sup>3</sup> See: Berger Ya. M. The Chinese model of development. World economy and international relations. 2009. No. 9. P. 73-81. Xin L. On the Chinese model. Revisited. The world of transformations. 2011. No. 1. P. 83-89. The implementation of the Chinese leadership infrastructure programme, in particular the construction of roads (mainly speedways) in the peripheral and marginal regions, according to the experts, has allowed to increase the pace of development of these regions to the average level in China, and even higher. See: Koshcheyev N. A proper economy in Russia does not exist. Nashi dengi. 2012. No. 5. P. 40-41.

Exactly this approach will allow paying attention to urban agglomerations in Russia as the new centres of innovation development that *can be an impetus for the development of regions and territories on the basis of development institutions updating and the formation of new centres to generate competitiveness*:

- *of outlying areas* as spokesmen and translators of Russian geopolitical interests in border relations with other countries;
- *of remote areas and small towns* as required participants of cluster projects and solutions, which are born in large regional and territorial centres and agglomerations, which will turn these areas into the centres of economic development of region-wide scale;
- *of rural territories* as emerging centres of competitiveness arising on the basis of the formation of diversified economy. New opportunities for renewable energy usage, energy efficiency and the turnaround of technology in agricultural production, approximation of processing of agricultural products to the industrial production will boost the competitiveness of these areas to a greater extent than of urban ones.

These areas can become a new source of no less ambitious competitiveness along with the major cities. The new regional policy should be aimed at realizing the potential of these areas for continued development and updating of their integration with the cities and regional centres of innovation. But this requires, in our view, *on the one hand*, increasing the role of the human factor in the socio-economic space and all the social development at all levels of social hierarchy. For the Russian government and population there is a need to recall Adam Smith’s assessment of the market system, as given by him in his work “An Inquiry into the Nature and Causes of the Wealth of Nations”. He believed, and this statement is supported by most experts, that the market economic

system works best in communities made up of “economic individuals” with the ability to think and act proactively and creatively, to make decisions in the interest of the public, not just the individual gains.

*On the other hand*, it requires the promotion of the role of the state and its power bodies in the regulation of spatial development of Russia with an active connection of federal, regional and local institutions and mechanisms to these processes.

#### **Human factor role in spatial development**

The new regional policy should be based on *human-friendly institutional development paradigm*.

For our country, the most important imperative is the speedup of the entire spectrum of investments into human capital, in the first place, its innovation components. This is the new *paradigm of human-friendly socio-economic development* of the 21 century. Today the understanding has become an axiom that socially and economically motivated, professionally and civically active human potential becomes the key and the only active and future-oriented factor for the successful implementation of Russia’s resource potential. Qualitative characteristics of the country’s population, their active innovation and pioneering position may be the dominant factor in shaping the outlines of its future development.

*One of the major challenges of the sustainable development of regional economy is the absence and/or reduction of the impact of incentive component of an effective high-performance labor. This is especially true for peripheral regions with large agricultural areas and territories of the traditional natural resources usage by indigenous peoples.*

Fundamental changes in the socio-economic system during the reform period led to the radical changes of the conditions, in which motivational processes carry on.

A significant part of the enterprises is more focused on the *strategy of coercion, using a strong negative motive for the current stage of possible dismissal and unemployment. This model of motivation forms an attitude to labor only as a mean of obtaining material benefits and uses only the lower levels of motivation, without considering the potential focus on innovational and pioneering initiative and responsibility for the fate of the country*, enterprise and region – one’s place of residence that are the reference signs of labor and civil activity and engagement<sup>4</sup>.

That is why, in the current state of regional policy update, it would be appropriate to discuss the possibility of scaling up the effect of increasing the motivation of labor activity on key issues, such as:

- formation of standards of decent and high productive labor in the regions and municipalities;
- development of the corporate culture of relations between administration and employees, businesses and the population of cities and settlements in the regions;
- usage of stimulating potential of social technologies implemented in the legal and economic framework based on following the principles of reasonableness, fairness and awareness;
- expanding the capacity of employees in the regions and municipalities focused on proactive and creative work.

<sup>4</sup> V.N. Belkin points out that “the economic reality itself urgently brings up the issue of rising the competitiveness of human capital ... But this fact is not widely acknowledged... and the contribution of science to the theoretical substantiation of this process is not sufficient”. Belkin V. N. Formation of competitive human capital of an enterprise. Yekaterinburg: Institute of Economics, Ural RAS department, 2012. P. 31-32.

M. Starchevoy calls to “reconsider the neoclassical theory and build a new human model that can explain much of what was previously misunderstood or even excluded from the analysis”. Starchevoy M. Starchevoy M. A new model of man in economics. *Voprosy ekonomiki*. 2011. No. 4. P. 78.

The driving force of the Russian economy and society should be the *anchorage on the processes of self-development and autonomous management of all levels of regional and territorial socio-economic systems*<sup>5</sup>. For this, *mechanisms and tools to select the most effective regional development priorities, including regards to problematic territories aimed at improving their sustainable functioning based on self-organization, self-support and self-government* should be defined<sup>6</sup>.

The question of determining self-developing regional (municipal) economic system is complex and controversial. Without going into a detailed analysis of existing approaches, we suggest our own option:

Under the self-development of regional economies we understand *strategically*

<sup>5</sup> A comprehensive analysis of the possibilities of self-development of regional and territorial socio-economic systems is grounded in our papers: Tatarkin A.I., Tatarkin D.A. Tatarkin A.I., Tatarkin D.A. The dialectic of formation and functioning of self-developing territorial economic systems. *Federalizm*. 2009. No. 4. P. 77-99; Tatarkin A.I., Doroshenko S.V. Region as a self-developing socio-economic system: crossing the crisis. *Ekonomika regiona*. 2011. No. 1. P. 15-23; Self-developing socio-economic systems: Theory, methodology and forecasting estimates. Ed. by RAS Academician A.I. Tatarkin. In two volumes. Moscow: Ekonomika. 2011.

<sup>6</sup> Some aspects of self-development were extensively discussed in scientific literature. V. S. Bochko emphasizes the integrative strategic development of territories as an integral link in the self-development areas. See Bochko V. S. Integrative strategic development of areas (theory and methodology). Yekaterinburg: Institute of Economics, Ural RAS department. 2010. P. 272-285. A.A. Abishev substantiates the need for accelerated development of the technological mode of production in self-developing socio-economic systems. See: Abishev A. A. Socio-economic evolution of the technological mode of production: monograph. 2nd edition. Almaty: Ekonomika, 2009. P. 18-36. Suggestions on the development of a "model of innovation self-development of regional industrial systems" are made. Tatarkin A.I., Romanova O.A., Grebenkin A.V., Akberdina V. V. Economic and technological development: diagnostics and forecast methodology. Moscow: Nauka, 2011-2012. P. 145. O.S. Sukharev thoroughly investigates and describes the basic principles of financial and technical production systems. Sukharev O.S. Structural analysis of the economy. Moscow: Finances and statistics. 2012. P. 103-112. The possibilities of self-development of socio-economic systems to ensure macroeconomic stability are actively studied. See: Problems of sustainable development of socio-economic systems. Ed. by RAS Academician A.I. Tatarkin and Doctor of Economics, Professor V.V. Kri-vorotov. Moscow: Ekonomika, 2012.

*sustainable ability of the region and its population in the current macro-environment in the community to provide the expanded reproduction of the gross regional product for the available capacity of their own resource capabilities and revenue sources for the implementation of both macroeconomic objectives and national priorities, as well as the intra-regional target plants of systemic character.*

Self-development of a regional economic system requires two system-building conditions:

1) internal self-sufficiency of a regional economic system capable of providing long-term sustainability of regional development (material and financial resources, human resources, market institutions, targeted programmes, strategies and plans);

2) favorable external conditions that could, if taken together, provide a balanced sustainable self-development of regional and territorial socio-economic systems on the strategic perspective.

Of crucial importance is the readiness of the regions and localities to take the responsibility for self-development of regional and territorial economic systems, as well as the leadership of the federal centre to create favorable socio-political and macro-economic conditions for the successful use of the institute of self-development for the benefit of spatial arrangement of the RF regions.

System-preserving and backbone role of external conditions, warranties and factors on the processes of formation and functioning of the self-developing regions is seen in the following<sup>7</sup>. *If the internal self-sufficiency of the regional economic system provides a source for its sustainable development and reproduction of GRP, simple or advanced, then the external*

<sup>7</sup> We give a more detailed discussion of these problems in a special paper: Self-developing socio-economic systems: theory, methodology and forecasting estimates. Ed. by RAS Academician A. I. Tatarkin. Volume 1 Theory and methodology of formation of self-developing socio-economic systems.. Moscow – Yekaterinburg: Ekonomika, 2011. P. 191-196, 199-209; Tatarkin A.I., Tatarkin D.A. Self-developing territorial socio-economic systems. St. Petersburg: UEU, 2011 and others.

*conditions are designed to create and reproduce the socio-political, legal, macroeconomic and external economic environment capable of providing the most complete and efficient use of regional capacity and resources to implement general federal and regional targets, ensuring stability and security of the Russian Federation as a whole.*

The definition of the territorial self-sustaining social and economic system proposed for the discussion allows:

*first*, to determine the criteria for self-development in the form of an annual GRP growth from its own resources, the initiative of enterprise managers and population of these areas. It is possible to argue about the proposed definition and criteria and provide further arguments for and against the proposed criterion. But the estimations on 83 federal subjects give reason to believe that 20 – 25 subjects are ready to operate in a mode of self-sufficiency. Another 30 – 35 of the federal subjects are close to this status with the improvement in macroeconomic conditions<sup>8</sup>. For example, the remote (peripheral, border) regions traditionally receive grants for reimbursement of transportation costs, subsidies on agriculture complex support are retained, which can be minimized by the objective regulation of purchasing prices for agroindustrial production and legally limiting the number of intermediaries between farmers and consumers. In addition to funding through federal programmes, the practice of subsidizing the majority of regions in the development of transport and other infrastructure, handling the issues of social protection of certain categories of the population is continued, thereby preserving the dependency behavior of management and population of the subsidized

<sup>8</sup> These issues are studied in the following works: Zakharchuk Ye.A., Pasyukov A.F. Zakharchuk Ye.A., Pasyukov A. F. Attributes of self-developing socio-economic systems. *Ekonomika regiona*. 2010. No. 4. P. 32-39; Zakharchuk Ye.A., Pasyukov A.F., Nekrasov A.A. Russian Federation regions classification according to criterion of self-developing. *Ekonomika regiona*. 2011. No. 3. P. 54-63.

regions. Although the solution to this problem exists and it is supported by most experts, it is being blocked by the Ministry of Finances. Its essence is to increase the share of regions and municipalities in the consolidated budget revenues of Russia from 34 – 37% to 50 – 55%, as it was during B. N. Yeltsin's Presidency and as is the case in other countries with a federal form of government<sup>9</sup>;

*second*, to turn the regions and municipalities into the real (working, earning and responsible) institutions for sustainable development of the Russian Federation, by eliminating political and administrative barriers to initiative and enterprise activity of regional authorities and population in solving the issues of spatial development and surface infrastructure development of its territory with optimal usage of its potential, human and entrepreneurial opportunities – creativity, innovation and entrepreneurship.

The scientific literature is full of intensive discussions on systematic subordination of federal, regional and local strategies and priorities<sup>10</sup> [22, p. 75]. There are different suggestions are made concerning their subordination and systemic character, but the majority agree on the one point: the initiative municipalities and regions achieve better results than the more economically powerful, but less active ones. Recently, not the most economically developed subjects of the federation have become leaders in innovational development (Tomsk Oblast),

<sup>9</sup> See: Leonov S. N., Sidorenko O. V. Foreign experience of regional management. Khabarovsk: ERI FEB RAS, 2011. P. 34-48, 67-70, 125-134, etc. It is the limited budgetary possibilities, as V. N. Leksin points out, that do not allow the regions and municipalities to fully perform the empowerment assigned to them by the Constitution of the Russian Federation. See: Leksin V. N. Efficiency and effectiveness of the regional and municipal authorities: the purpose and possibilities of correct estimation. *Region: economics and sociology*. 2012. No. 1. P. 27-33.

<sup>10</sup> O. V. Bakhlova, for example, believes that “the baseline scenarios of political-territorial system of Russia in the short and medium term will be the scenarios of ‘partial federation’ and ‘unitary Russia’”. Bakhlova O.V. Scenarios of development of the territorial system of Russia. *Federalizm*. 2012. No. 2. P. 75.

foreign investment (Kaluga Oblast) and formation of air transport infrastructure (Sverdlovsk Oblast). It is necessary to point out that regions and municipalities get a minimum from these initiatives, passing the benefits of the initiatives into the federal treasury.

Obviously, in the process of systemic modernization of the Russian economy it is necessary, focusing on the system of general federal priority of spatial development, to take into account and increase their awareness of the production and use of socio-economic characteristics and advantages of the region, encouraging and motivating them to lead and compete among themselves for the mobilization of resources for development. Similarly, the regions should build relationships with municipalities and businesses that operate in the region.

#### **Formation of regional institutions of spatial development**

One of the priorities of regional economic policy, successfully implemented in developed countries, is the formation of new forms of spatial organization of the economy through the *creation of business areas* within the region and/or municipalities as one of the real institutions of regional-production self-development.

The typical examples of formed business areas that have received approval in the global and domestic practice and science are technologic cities, industrial parks, special economic zones, technologic parks and industrial, transportation and logistics centres, specialized trade and storage areas and other business territories that can be formed anywhere in the region or municipality or created if there are relevant objective and subjective conditions. In all of this, *the most promising is the formation of a business area within the boundaries of a municipality (city or district), which is able to develop the potential of the territory systematically and comprehensively*, for the benefit of its citizens on the principles of self-sufficiency and self-development.

The implementation of a new regional policy is possible only on the basis of *the establishment, implementation and transformation of different kinds of market development institutions*. In this case, the institutions should be sufficiently varied and provide a multi-targeted focus of regional development. *The first group of institutions* may be connected to the direct action of the state to implement key provisions of the regional policy, especially with regard to problematic areas. These institutions may include: housing and utilities reform fund, fund for financial support of subjects of the Russian Federation, regional finance reform fund, regional development fund, etc. *The second group* includes institutions that provide stimulation measures of innovation development of the areas: creation of special economic zones, business areas, and innovation centres. *The third group* of institutions can be focused on the changes (implementation and enhancement) of technology for regional planning and management. The list of such institutions usually includes revolving funds by focusing on the implementation of project management in the regions and municipalities, indicative planning, etc. *The fourth group* of institutions is aimed at enhancing the business communities in the format of strengthening horizontal linkages, including through the cluster forms of business development, public-private partnership, project planning, etc. Especially promising is the institute of cluster development of territories and the region as a whole.

It is considered that the cluster forms of development have been formed and actively used in the European market (Italy) as institutions of industrial and territorial development of depressive and problematic regions. Meanwhile, in the mid 1980s, in the Urals, and specifically in the cities of Nizhny Tagil, Sverdlovsk, Serov, Verkhnyaya Tura and others, production and territorial associations (PTA) began to operate, as well as territorial inter-

branch complexes (TIC). Being created in a period of increased market activity on the basis of territorial integration and production capabilities of the power structures and the production potential of the territories, they solved the problems of a balanced and integrated (systemic) development of territories<sup>11</sup> [9].

The cluster approach allows us to “bind” the centre and its surrounding areas through closer inter-firm cooperation, the establishment of common labor, technologies and knowledge markets, and increase the availability of common resources to enterprises, reduce overall costs and form synergetic interaction effect. All members of the cluster gain competitive advantage under the influence of the combined effect of synergies scale. In addition, the cluster contributes to the development of relations in the horizontal network integration and cooperation, exchange of experience, diffusion of modernization initiatives and others, as well as the partnership of *business, government, science and education*<sup>12</sup> [10; 11;12;13;24].

<sup>11</sup> See, for example: Tatarkin A.I., Vazhenin S.G., Danilov N.I. Organizational and economic basics for the creation of business and regional production and territorial associations. Sverdlovsk: Institute of Economics, Ural Branch of the USSR Academy of Sciences, 1989 and others.

<sup>12</sup> Together with the Sverdlovsk Oblast Government, a group of research scientists from the Institute of Economics, Ural RAS department developed a methodology to create cluster associations taking into account various industry, specific and regional characteristics. See Lavrikova Yu.G. Clusters: strategy of formation and development in the economic space of a region. Yekaterinburg, Institute of Economics, Ural RAS department. 2008.; Tatarkin A.I., Lavrikova Yu.G. Cluster policy in the region. Industrial Policy in the Russian Federation. 2008. No. 8. P. 11-19 and other. Also noteworthy is the experience of Volgograd on the usage of cluster management model of integrated development in the major cities (see: Ivashova S. Comprehensive development in big cities: cluster model of management. Theoretical and Practical Issues of Management. 2011. No. 4. P. 60-65), FSPC Altai (City of Biysk) that use the production and social infrastructure of the parent company by other separated teams, departments of a business through the cluster model. (See: Pacific Russia — 2030: scenario forecasting for regional development. Ed. by RAS Academician P. A. Minakir. Khabarovsk: Far-Eastern Branch of RAS. 2010. P. 399. See also: Tatarkin A., Lavrikova Yu., Vysokinskiy A. Development of economic space of the Russian Federation on a basis of cluster principles. Federalizm. 2012. No. 1. P. 45-60.

The integrative nature of the cluster approach as an institution of regional development is seen in the *possibility of comprehensive solutions to many problems of the federal, regional and local levels*: the implementation of a regional strategy aimed at improving the competitiveness of the regional economy and businesses, and therefore the country as a whole, industrial policy based on the formation of optimal branch-wise (typical) structure and advanced technological modes, the development of an innovation model of regional development and the formation of a basis for a competitive environment, small and medium business interacting with large business; regional infrastructural development, growth of basic and applied science, improving the educational level of employees etc.

Institutional approach to the regional development enabled the Institute of Economics, Ural RAS department, together with the regional government not only to formulate the basic provisions of cluster policy for industrialized regions, but also to differentiate its tasks to separate groups of clusters: *functioning, latent and potential (tab. 1)*.

A core idea of cluster policy was the formation of the poles of competitiveness at the territories, which, in contrast to growth poles, are more focused on the formation of collective performance, endogenous innovations and active promotion of it by government agencies at various levels.

According to a study conducted together with the regional government, the Concept of the cluster policy of the Central Urals up to 2020 was elaborated. It was approved by the Governor of the Sverdlovsk Oblast on April 11, 2011.

Some authors have grounds to consider that for the formation of effective institutions and monitoring of their functioning, the existing “control system needs to be complemented with intermediary institutions at all the levels, providing interaction between administrations,

Table 1. Grouping of cluster associations of the Sverdlovsk Oblast by the level of development

Type of cluster association	Characteristics of cluster association	Examples of cluster associations in the Central Urals
Functioning clusters	Implementation of agglomeration advantages, flow of resources from other sectors and regions, emergence of new companies in the “key” and related industries	Ural pharmaceutical cluster; IT-cluster; Special Economic Zone “Titanium Valley”, Chemical cluster - chemical park “Tagil”, railway engineering cluster
Latent clusters	A number of companies is beginning to collaborate around a “core” type of activity and create sustainable market linkages	Cluster for the production of oil and gas equipment, energy and electrical equipment, medical instruments cluster, machine-tool cluster, wooden housing construction cluster, technical and innovational centre of metallurgy and heavy engineering; Ural technological cluster “Production and usage of rare earth metals”; pipe cluster, tourism cluster “Ural meridian”.
Potential clusters	A number of businesses and companies is in the industry, but the relationships between them do not fully realize the benefits of agglomerational cluster association	Cluster in the field of trade, tourism industry, agroindustrial complex, transport and logistics, road infrastructure, education, housing services and public utilities, food and light industry, chemical and pharmaceutical cluster, chemical-metallurgical cluster, bioenergy (peat) cluster.

business, science and civil society”. According to RAS Academician V. M. Polterovich, this mission “could be completed by regional economic development agencies” along with clusters<sup>13</sup> [28, p. 17-29].

#### **Programme-project possibilities of the spatial modernization of a territory**

The **programme-project approach**, which is a federal institution of spatial planning, capable of meeting the modern needs of the globalizing economy can serve as the organizational basis for the implementation of the regional policy and regional development, the management of these processes, along with regional economic development agencies.

An example case of planned management of spatial development can be found in Great Britain, the country with more than two hundred year history of market development.

In March 2012, the British government published a draft document on the further progress of the planned management of spatial

<sup>13</sup> The problem of using regional agencies is examined in this paper: Polterovich V. M. Regional institutions of modernization. *Economics of contemporary Russia*. 2011. No. 4. P. 17-29. The decision of the Russian Government was made on the establishment of the Ural Agency of strategic initiatives with its duty to identify and rank the sequence, timing and sources of funding for the promotion of market institutions development on the Ural territories.

development under the title “Framework of National Planning Policy”, which described not only the procedures for the development of plans, coordination of national, regional and local priorities, socio-economic development with regard to environmental protection and the promotion of sustainable growth. In the introduction to the published document, the Minister of Planning Hon. Greg Clark noted the following: “The planning is designed to promote sustainable development. A better life for you does not mean the deterioration of life for future generations... Sustainable development associated with positive growth rates, making available economic, environmental and social progress both for the current and future generations. The planning system facilitates it. Sustainable development should be a guide to going forward without delay – the presumption in favor of sustainable development, which is the basis for each plan and for each solution, should be kept...”<sup>14</sup> [33. P. 169].

Before its adoption, the draft document was discussed a few months in scientific journals and public newspapers, and received a positive evaluation both from the specialists and society.

<sup>14</sup> See: Krasnopolskiy B. Kh. Spatial-economic planning: Great Britain’s experience (on the “National Planning Policy Framework”). *Spatial Economics*. 2012. No. 2. P. 169.

The mechanism for implementing regional policy is usually associated with the definition of its strategic priorities and therefore a growing need for the development and approval of the *Concept (key directions) of the regional policy of the Russian Federation* as part of the socio-economic development of the Russian Federation until 2030.

On the basis of the strategic priorities of the regional policy of the Russian Federation (up to 4 – 5), it is reasonable to develop appropriate programmes to address the most complex issues of regional development. The solution of specific problems should be based solely on the *programme-project approach*.

The pioneer in the usage of programme-project development of territories was the city of Yekaterinburg, which was the first in the Russian Federation to adopt on 10 June, 2003 the “Strategic Plan of Yekaterinburg”<sup>15</sup> by the decision of the City Council [15]. According to the estimation of the Mayor, and now the Member of the Federation Council, A. M. Chernetskiy, the urban development plan was elaborated and implemented on the basis of three brand new practices of innovation for the Russian Federation, that required significant changes of management mentality and city leaders, as well as business and the city population<sup>16</sup> [15, 3].

*First*, the motto of development, consultation and implementation of the plan was the idea “to think strategically and act together”. Exactly this idea was the starting point for the development of the Strategic Plan and *combination in one document for programming all strategic priorities with the project initiative of its population*.

*Second*, the Strategic Plan since the moment of its development was a city-wide document. During the three years of its development and discussion, a large group of scientists, managers

of different levels, government representatives, businessmen, civil society organizations and experts attended the sessions of talks. International experience has been studied, including programme-project development of Birmingham (Great Britain). The Strategic Plan was subject to broad public discussion that took into account a lot of suggestions and wishes of residents, state and federal agencies. This allows us to consider the strategic plan of the city as *programme-project creativity of the urban community*.

*Third*, the strategic goal of the development plan of Yekaterinburg lies in the *sustainable improvement of the citizens’ life quality*. All eight programme areas of the plan and the majority of more than a hundred business projects are devoted to this purpose. The first programme direction of the plan, “Preservation and development of human potential”, opens the programme of actions, and the eighth “The main plan of Yekaterinburg – the city for the people” completes the programme actions of the city community in the development of Yekaterinburg. The final section of the plan is also noteworthy – “The mechanism of the strategic plan implementation”, the essence of which can be summed up as “Working on the result and be open to innovations”<sup>17</sup> [15, 3].

The strategic plan of the city in its content is scientifically grounded and, at the same time, it is a document which is based on the actual needs, taking into account specific and comprehensive needs of the city and its competitive capabilities. In this case, it is characterized by the high level of innovations aimed at solving the problems of restructuring the economy, accelerated development of industrial and social infrastructure, etc.

The advantage of programme-project approach in market conditions can be considered not only innovation and pioneering participation of the citizens in the development

<sup>15</sup> See: Strategic Plan of Yekaterinburg. Yekaterinburg, 2003.

<sup>16</sup> Ibidem. P. 3.

<sup>17</sup> See: Strategic Plan of Yekaterinburg. Yekaterinburg, 2003. P. 3.

of strategic plans and constant public control of the implementation of programme priorities. This is important, but it is not the only virtue. Programme-project approach allows, *on the one hand*, combining the possibility of using a single document for the development of planning and administrative and market-based initiatives, the administrative resource and enterprise, plus consistently meet the needs of the urban integration of government, science, business and public opinion. *On the other hand*, this approach allows to distribute the load to finance programmes and projects between the budget of the city, businesses and the public, which not only significantly reduces the total costs and increases the effect of the implementation of business projects, but also reduces the load on the regional and federal budgets<sup>18</sup> [16, 24].

Positive evaluation of the Yekaterinburg Strategic Plan implementation in 2003 – 2008 required some adjustments in the part of review of most programme parameters to increase. After nearly a two-year debate (between 2008 and 2010), in 2010 an updated Strategic Plan of Yekaterinburg up to 2025 was approved by the City Duma<sup>19</sup> [17]. Some adjustments were made on the timing and direction of changes, priorities were adjusted and the project part of the plan was seriously revised. The number of projects was increased to almost 130. Business activity in project financing increased markedly – up to 45% or more of the total value of projects is funded and implemented by private business.

<sup>18</sup> In scientific literature, these calls for changes have been sounding more and more increasingly; these changes are defined as “denationalization” of economic policy, transition from the traditional Russian state monologue to polyphony, where the state remains a leading voice, but does not overwhelm the other voices. This will not only change the composition of the subjects, but also the configuration of economic policy. Korolyuk Ye. Modern Russian economy: strategic orientation and economic space. Theoretical and practical issues of management. 2011. No.4. P. 24.

<sup>19</sup> See: Strategic Plan of Yekaterinburg. Yekaterinburg. As approved by the City Duma on 26 October 2010. Yekaterinburg, 2010.

The application of the methods of programme-project management allows a more informed definition of goals and planning of the optimal innovation, investment and other activities of regions and territories, including the territories of the new economic development<sup>20</sup> [18; 35, 57-69]. Project management provides an opportunity to consider project risks more fully, to optimize the usage of available resources and avoid conflict situations, to control the execution of the plan, to analyze the actual performance and make timely correction in the course of work, to store, analyze and use the accumulated experience in the successful future projects.

Over the passed years, much has changed in the relation of the citizens to the problems of the city and its development opportunities in the public interest, taking into account public suggestions and wishes. The reasons for this are seen in the following. *First*, a creative approach to the design and implementation of the strategic plan will allow the city to reach the leading positions among the Russian cities with population over one million on the majority of socially significant indicators (*tab. 2*)<sup>21</sup> [32, 12-14; 20, 10-11].

*Second*, people’s interest in the city and its development priorities can be assessed, in our view, by the dynamics of migration of its population, who “vote with their feet” for the chosen strategy. If until 2003, when a strategic plan of the city was approved, more people

<sup>20</sup> More details on these issues are discussed in the paper: Strategy of economic development of underinvestigated areas of the Ural Soviet territory. Edited by RAS Academician A.I. Tatarkin. Yekaterinburg, Institute of Economics, Ural RAS Department, 2011. P. 11-41. See also: Chuzhmarov A.I. The development of public-private partnerships in the conditions of the North. Moscow: Econ-inform, 2012. P. 57-69 and others.

<sup>21</sup> See: The results of socio-economic development of the municipal entity “Yekaterinburg City” in 2011. Yekaterinburg. Department of Economics. 2012. P. 12-14; The results of socio-economic development of the municipal entity “Yekaterinburg City” in 2010. Yekaterinburg: Strategic Planning Committee, 2011. P. 10-11; Data on the budgetary sufficiency (See: Stolitsa Urala. No. 35. P. 9)

Table 2. Key indicators of the development of Yekaterinburg city in comparison with other cities with population over one million in 2006 – 2010. Numerator – 2010, denominator – 2006

Indicators	Yekaterinburg	Novosibirsk	Nizhny Novgorod	Samara	Chelyabinsk	Ufa	Omsk	Kazan	Rostov-on-Don	Volgograd	Perm	Krasnoyarsk	Saint Petersburg	Moscow
Population size at the end of the year, thousand people	$\frac{1411.1}{1346.3}$	$\frac{1497.5}{1391.9}$	$\frac{1263.6}{1286.4}$	$\frac{1169.3}{1139.1}$	$\frac{1143.2}{1091.5}$	$\frac{1082.4}{1029.8}$	$\frac{1156.5}{1134.8}$	$\frac{1145.4}{1116.0}$	$\frac{1091.5}{1051.6}$	$\frac{1018.8}{1020.8}$	$\frac{1001.0}{990.2}$	-	-	-
Investments into fixed assets, billion rubles	$\frac{100.8}{36.8}$	$\frac{63.2}{29.9}$	$\frac{71.0}{23.5}$	$\frac{53.7}{30.3}$	$\frac{54.3}{23.8}$	$\frac{43.5}{34.0}$	$\frac{46.4}{24.8}$	$\frac{107.7}{52.1}$	$\frac{29.4}{21.3}$	$\frac{30.5}{14.7}$	$\frac{39.86}{34.2}$	-	-	-
Retail trade turnover per capita, thousand rubles	$\frac{560.9}{149.1}$	$\frac{286.4}{96.0}$	$\frac{241.2}{90.2}$	$\frac{219.0}{98.3}$	$\frac{259.4}{105.4}$	$\frac{337.6}{130.9}$	$\frac{193.1}{81.4}$	$\frac{301.3}{109.3}$	$\frac{273.2}{118.3}$	$\frac{198.6}{78.3}$	$\frac{270.45}{134.5}$	-	-	-
Housing construction, thousand m <sup>2</sup>	$\frac{1050.2}{735.3}$	$\frac{1029.8}{827.9}$	$\frac{393.8}{443.3}$	$\frac{746.5}{228.8}$	$\frac{752.4}{512.3}$	$\frac{702.2}{521.1}$	$\frac{391.1}{723.4}$	$\frac{942.7}{729.6}$	$\frac{895.1}{707.4}$	$\frac{253.6}{388.9}$	$\frac{406.6}{426.1}$	-	-	-
Average monthly salary, rubles	$\frac{29544}{14026}$	$\frac{25937}{11806}$	$\frac{24581}{10188}$	$\frac{23186}{11376}$	$\frac{23420}{11106}$	$\frac{25125}{11916}$	$\frac{21951}{10812}$	$\frac{21878}{9773}$	$\frac{23806}{10587}$	$\frac{20264}{9801}$	$\frac{24989.7}{12468}$	-	-	-
The number of births, per thousand*	$\frac{13.0}{10.3}$	$\frac{12.8}{9.9}$	$\frac{10.7}{8.9}$	$\frac{11.3}{9.6}$	$\frac{12.6}{10.3}$	$\frac{14.4}{11.2}$	$\frac{12.1}{9.5}$	$\frac{13.2}{9.3}$	$\frac{10.3}{8.7}$	$\frac{10.4}{8.7}$	$\frac{11.7}{10.0}$	-	-	-
The number of deaths, per thousand*	$\frac{11.6}{12.8}$	$\frac{12.9}{14.0}$	$\frac{16.3}{16.9}$	$\frac{16.1}{15.8}$	$\frac{12.6}{13.7}$	$\frac{12.2}{12.4}$	$\frac{12.9}{14.0}$	$\frac{12.9}{13.4}$	$\frac{12.9}{13.6}$	$\frac{14.3}{14.6}$	$\frac{11.9}{13.7}$	-	-	-
Natural increase (decrease) of population, per 1 000 residents *	$\frac{1.4}{-2.5}$	$\frac{0.1}{-4.1}$	$\frac{-5.6}{-8.2}$	$\frac{-4.8}{-6.4}$	$\frac{0.0}{-3.5}$	$\frac{2.2}{-1.2}$	$\frac{-0.8}{-4.5}$	$\frac{0.0}{-4.1}$	$\frac{-2.6}{-4.9}$	$\frac{-3.9}{-5.9}$	$\frac{0.2}{-3.7}$	-	-	-
Budgetary supportability of million cities in 2011, thousand rubles per capita	21.8	24.8	20.4	16.2	25.6	17.4	12.8	26.8	22.4	12.0	22.0	28.0	88.1	133.8

\* In the numerator of all cities with population over one million except Yekaterinburg – indicators of 2010.

Figure 1. Population migration in Yekaterinburg, persons



were leaving than arriving, starting from 2004 a stable dynamics indicates the preferences of the visitors. The out of city movement has ceased significantly (*fig. 1*)<sup>22</sup> [20, 30; 32, 25].

The usage of project management of a territory allowed accelerating the implementation of the result-oriented model of management<sup>23</sup> [5, 30], which ensures development and provides an opportunity:

- to use the most effective institutions of spatial development at all levels, seamlessly coordinating abilities and interests of all levels of government, business and the public with one document;
- to get *tangible* results of each objective, each service and activity;

<sup>22</sup> See: The results of socio-economic development of the municipal entity "Yekaterinburg City" in 2010. Yekaterinburg: Strategic Planning Committee, 2011. P.30; The results of socio-economic development of the municipal entity "Yekaterinburg City" in 2011. Yekaterinburg: Department of Economics, 2012. P. 25. Data on the budgetary sufficiency. See: *Stolitsa Urala*. 2012. No. 35. P. 9.

<sup>23</sup> See: Tatarkin A.I., Doroshenko S.V. Region as a self-developing socio-economic system: crossing the crisis. *Ekonomika regiona*. 2011. No. 1. P. 15-23.

- to "calculate" the *number and quality of services and activities* that will be provided to the population of the region (territory) when defining the goal;

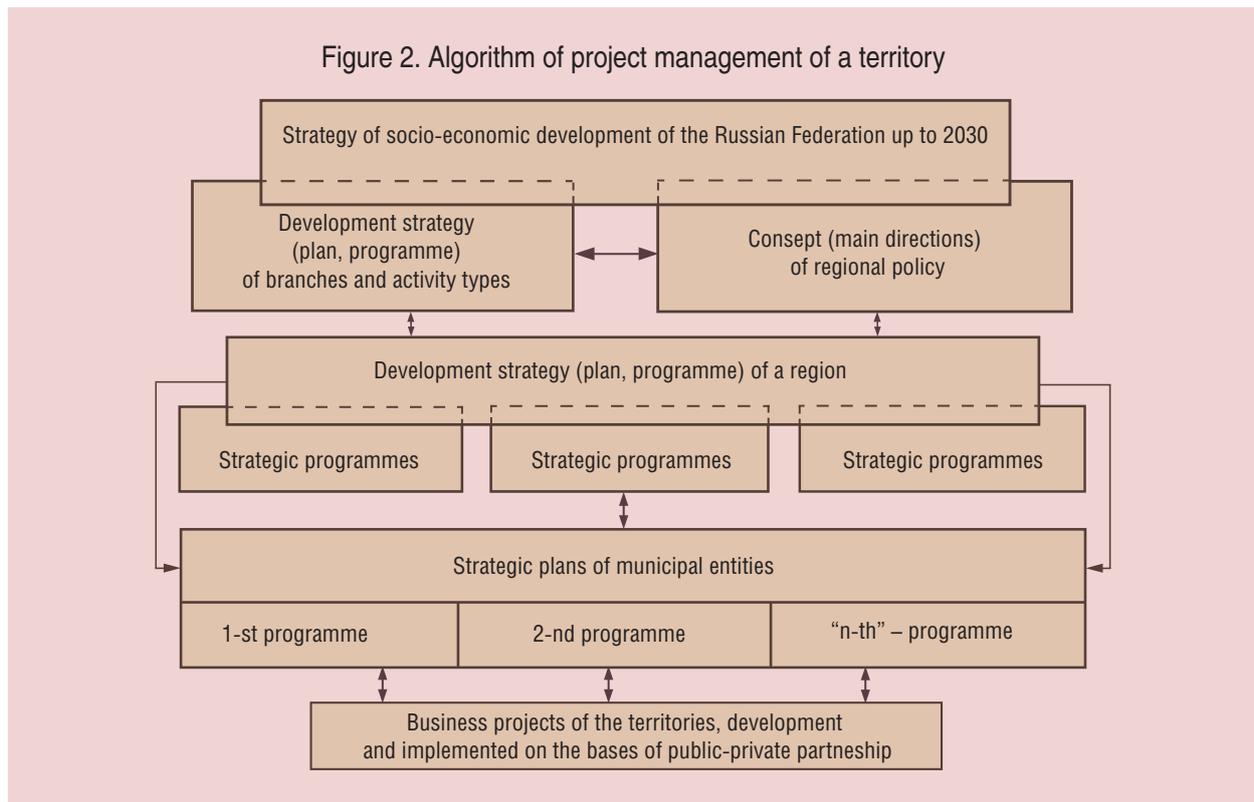
- to assess the impact on performance change in terms of changes in the budget plan indicators up or down;

- to "receive" *socially significant results* for the region's population from delivering the concrete services;

- to evaluate the performance of agencies and institutions work on the basis of analysis of their costs relative to their results;

- to determine for each of the socio-economic development objectives its *real value of achievement, as well as implementation tools and persons responsible for the implementation*.

At the level of regions and municipalities, the usage of project approach requires two conditions. *First*, the project must be built in the complex areas of strategic planning documents and logically proceed from the goals and objectives of the strategic plan (strategy) of the region's (municipal entity's) development.



In other words, these projects have to become strategic projects built in the logical chain of federal strategic planning management of spatial development;

*Secondly*, strategic projects at this approach turn into specific mechanisms (institutions) of implementing strategic development not only for the municipality, but for the region as a whole. Their development, as well as the documents from which they are derived, is based on the interaction of all the participants of the territorial community, including private businesses, governmental agencies and all levels of government, science, education and public representatives experienced in the area of project implementation.

The bases of strategic projects are the business plans of private sector development, including on the principles of public-private partnership (*fig. 2*).

The proposed approach allows focusing the projects on the effective coordination of all project developers, which can be refined on the basis of the careful planning and determination of very specific activities and sources of funding for each of the participants in these projects. Only in this case the plans, programmes and projects become *documents of public consent*, in the implementation of which not only the initiators and participants are interested, but also the entire population of the municipal entity and the region.

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