

DEVELOPMENT STRATEGY

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Programmed project modernization of the federative structure in Russia*

The modernization is considered as a programmed project need for sustainable and balanced social development. Science and innovative should become a mover of this modernization. The article deals with the essence and meaning of modernization, it defines the forms of modernization and its features. The priorities and programmed project development institutions have been substantiated by the socio-economic development of the Russian Federation, regions, municipalities and market agents. The article also analyzes the theoretical and methodological approaches to the evaluation of the eventual result of modernization which is considered as a possibility to use a human development index and/or a human happiness index.

Modernization, essence of modernization, modernization forms, programmed project modernization model of the regional and territorial development, the role of human factor in the modernization, eventual result of the development and its evaluation.



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The word “modernization” or its essential principle originates from the word “modern”. It is a symbol of the inconsistent, long and expensive changing process of the dominant mode of production and management to a new and more efficient mode of production which is demanded by most of the population.

Modernization is always based on two interpenetrating processes.

On the one hand, modernization is aimed at the creative destruction of the old mode of production and elimination of inefficient management methods (mechanisms, forms and institutions).

On the other hand, modernization introduces *new and more advanced scientific* methods of production and more competitive industry structure into the social, economic and social development. It connects effective institutions and development sources to the social development: political and institutional, sectoral and territorial, internal and external, production and social ones.

Social and political need for the modernization of Russian society

The definition of “modernization” is principle and split. Its interpretation is inconsistent in literature: it varies from “the process that is undertaken in various countries to reduce the resulting backlog of the state competitors” [12, p. 67] to “the process which cannot be limited only by the certain economic sectors”, according to the reasonable assertion by A.G. Aganbegyan, V.A. Mau and others [1, p. 7; 11, p. 13]. V.A. Tsvetkov offers to realize “applied modernization considering the comparative advantages of the Russian economy with regard to functionally interrelated industries: production of hydrocarbons (oil, gas) – transportation – processing – sale – consumption” [31, pp. 37-40]. According to Y.N. Dubenetskiy, “the central task of modernization is to restore and update the industry, which came into the state of half-disintegration” [5, p. 3].

E. Gontmakher points out the fact that there are a lot of unsolved problems which are too important for the development of our country. The country hasn’t taken the opportunity to use raw materials revenues to diversify the economy and increase its competitiveness. The government has managed to increase the differences in population’s incomes (even according to official statistics). The state also has divided health care system into two sectors: one of which is formally free with a minimum set of “would-be medical” services, the other sector includes most of the health services required by our population but it’s actually paid. In recent years general and professional education quality has dropped dramatically due to the efforts of the Minister of Education and Science A.A. Fursenko. As a result, the human potential index in the Russian Federation rolled down to the 71st place in the world.

Therefore, the author believes that the essence of modernization doesn’t consist in the rejection of “the current evil practices, come-and-go people in the government and the usual borrowing of advanced institutions. It consists in the updated economic and socio-political life of the civilized space...and their implementation into Russian life” [4, p. 3].

The chief adviser of the Analytical Management Department of the State Duma Apparatus M.S. Ayrapetyan has proposed the concept of simultaneous economic and political modernization considering the influence of the factors and features of the cyclical system development. In his opinion, Russia needs for the *conservative modernization* in the form of “the operating mechanism aimed at the neutralization of the external and internal threats and negative impacts which are the results of such swings and which are typical for both stages of growth and decline” [9, p. 96].

The essential features of the Russian economy modernization are difficult to be estimated because *there are no fields and kinds of activity which wouldn’t need to be upgraded and aimed at the rapid, balanced and socially oriented economical development.*

Modernization is one of the most acute problems for the Public Development Management Department, its quality and effectiveness, professionalism and honesty of employees in the state government and administrative bodies [24, p. 25]. Modernization of economy and its production, infrastructure, financial, budgetary, banking and other sectors is also too important. It is impossible to ensure the sustainable economic growth without modernization of higher and general education, health and pension systems. It is an unsolvable problem to provide innovative modernization without updating changes in the role and status of science in social development. It is impossible to enhance the contribution of the regions, territories and a spatial factor in the incensement of public well-being without the modernization of federal relations, the renunciation of the hard line of command and transition to the self-development of the federation and municipalities which could decide on the majority of regional and municipal development issues [13, 14, 16].

That's why we consider the statements by A.G. Aganbegyan, V.A. Mau, D.A. Sorokin [17, p. 24-25] and others are fair that the modernization couldn't be limited only by the economy. Its essential purpose is the renewal of social life in order to create the most progressive institutions of the balanced and sustainable social development based on innovative sources and innovative skills. And the essential *basis of modernization is revealed in this sense as the scientific and innovative renewal of all social spheres in compliance with developmental needs. At the same time, this is a mission of science as an innovative renewal base.* The most significant signs of modernization are the following:

- The complex and systematic nature of modernization, which presupposes consistent scientific solution of interrelated problems of social and economic development. Modernization of the economy couldn't be effective and complete without appropriate

changes in the political, social and environmental spheres, as well as without changes in the sectoral, territorial and infrastructural development. We can develop innovations and trade them, but if we don't establish innovation-oriented environment, the effect of innovative developments will be received by the other countries where there is such innovation-oriented environment which is functioning and "sucking up" all the progressive developments.

- Target orientation of modernization to the solution of national problems that can consolidate the society in their decision. It is important, for example, to set up the task to increase GDP of the country and double or triple it, as well as to raise labor productivity by several times at the workplaces, etc. But if the most part of these revenues ends up in the pockets of the oligarchs and bureaucrats and the bulk of the population collects only "crumbs" of these incomes, this task will never be mobilizing and consolidating. The regions and municipalities are limited to improve profitability of market agents, since more than 65% of the taxes from the territories are collected by the Federal budget.

- Modernization inconsistency – "destruction for the sake of creating" of more effective institutions requires "flexible firmness". *Firstly*, the essence of this feature is the permanent scientific support and providing of modernization with new knowledge and solutions, as well as opportune and scientific changes and adjustments in the process of its implementation under the influence of external and internal circumstances. *Secondly*, it is a guiding hand behind the state which regulates and controls all the processes of modernization. *Thirdly*, the most important requirement of modernization should be the support of positive public opinion for its implementation by the use of fair distribution of modernization revenues between the different strata of the population.

We can select some other features of modernization (its social and environmental orientation, continuity, phasing, etc.), although according to the given features it possible to consider it *as a system of ties between the government and all the subjects of market relations in order to maximize the resulting effect of social development by the use of the most advanced and innovation-oriented institutions of social and economic development.*

Modernization is a public process which, on the one hand, “keeps the door open” for all the market agents and citizens who want to join in the modernization processes on-site through the parties and other social organizations and institutions. On the other hand, the basis of the modernization processes is the formation of advanced sixth technological structure and appropriate method of management, which are surrounded by the suitable political, spiritual, moral, social and economic environment. Just that very environment is designed to facilitate rapid development of a new mode of production and its access to the planned level of operation and the limitation of influence spheres of the fifth technological structure and ineffective forms of economic activity [25, pp. 25-36].

For Russia, as well as for any other country, the condition for successful modernization should be a long-term using strategy of the development institutions that preserve and enhance their own economic potential and provide stable, balanced and socially-oriented growth with rising share of the new productions of the sixth technological structure. This circumstance requires, *firstly*, to defend the domestic market and domestic potential from the intervention of international and domestic speculative capital, maintaining and expanding the sources of social and economic development at the local level (market agents), territorial level (municipalities) and regional and interregional levels. *Secondly*, it is necessary to create progressive and modernization-oriented environment to form and use the most effective development institutions.

The latter are demanded of strategic support. They include traditional institutions (education, science and cooperation) and the new ones which are venture and investment funds, innovative centers, clusters, business territories, public and private partnership institutions, innovation-oriented economic zones, territorial and regional self-development, regional and territorial integration, etc. *Thirdly*, it’s necessary to get the most part of market agents and population involved in the processes of modernization, enhance the role of human factors in the providing of modernization with new innovative ideas and solutions. It is also important to maintain sustainable and balanced socio-economic development at all the levels of the federal system [26, pp. 46-55].

Recognizing the formation of a new and more advanced technological structure as the main criterion for modernization, it is impossible to note the crucial role of human factors and role of the individual national leader in the successful modernization of social development. The examples of China, Singapore, Finland, India, South Korea, Brazil and other countries demonstrate the growing role of the individual in the initiating and carrying out of the modernization reforms and getting the most part of population involved in them. The motives and action sequences of the leaders of these countries are different, although the logic of their actions is very similar. It includes the following:

1. The developing of a long-term strategy for the country’s leading positions in the global community which is based on its own potential, resource capabilities and personnel. The strategy identifies the modernization time-frame, stages and sources, which are its own or engaged in the different periods of its implementation.

2. Involvement of all sectors and most of the population in the modernization processes thanks to taking into account their needs in the process of modernization and fair income distribution among all strata of the population.

It is too important to involve elite, creative and enthusiastic people which are able to provide political, technical, technological, institutional and commercial success of social modernization in these processes. It is clear that fair modernization income distribution is understood as an ability of each party of the modernization process to receive the income that corresponds to his or her “contribution” to the reforming of the social and economic development. But it should not push a person away the feasible involvement in the modernization processes.

3. Increasing role of science, education and innovation factors and skills in social, economic and social development. The abilities of different countries to solve this task are various: they can increase education spending and develop domestic science, as well as they are able to invite the specialists from other countries and acquire patents. In all circumstances, the requirement to improve the educational, cultural and intellectual level of the population and participants of modernization is the main need and the most important source of socio-economic development.

Modernization in China, for example, is regarded as a transformational revolution in the history of mankind modernization. In this connection, the Chinese Academy of Sciences with the assistance of China’s leadership decided to give preference to scientific and technology researches of the priority directions of Chinese modernization. The Academy has developed a fundamental synthesis report “Science and technology in China: Roadmap for the period till 2050” (Beijing, 2010)” to do this. It consists of nearly 150 pages. The stages of researches development for the period till 2050 have been stated in five sections of this document. The report has also identified the alternate results and the ways of using of the research results in social development based on the Chinese specifics [15].

4. Formation of technological, financial and credit sources of modernization. The first presupposes the government support of scientific researches, strengthening of the ties between science and business in the development and productive use of new equipment and technologies of the sixth technological structures, the development of experimental science and experimental facilities, etc. The formation of financial and credit sources usually requires the mobilization of internal and external opportunities (loans, reserves, current expenses minimizing, etc.). If modernization is based on the ambitious aspirations to pursue a preemptive tactic it can’t be limited by a catch-up scenario. According to the assertion of S.Y. Glazyev, the art of leading is the ability to discern the beginnings of development before the markets signal of them [3, p. 505, 508].

5. Economy restructuring with a focus on the supporting of accelerated development of those sectors and industries which are the basis of a new technological structure. Operational development of the basic industries of the sixth technological structure allows us to create quickly a comparative advantage in the competition at the national and international markets of goods, ideas and services. The key areas of the sixth technological structure are being discussed actively in literature. There are a lot of different points of view both of scale and terms [11, pp. 6-7]. The authors are unanimous that the development of the basic industries and production of the sixth technological structure will create a competitive advantage of the national economies in the globalized world at least until the middle of the 21th century [3, p. 21].

They have also defined the basic directions of the economy: *biotechnology, based on the achievements of molecular biology and genetic engineering; nanotechnology: artificial intelligence systems, global information networks and integrated high-speed transportation systems.*

They continue to develop flexible product automation, space technologies and systems, production of tailor-made artificial materials, etc.

6. Industrial and social infrastructure should get a new impetus to development. *On one hand*, such infrastructure can ensure sustainable development of the basic industries and enterprises which are able to guarantee rapid economic development and enhance their ability by the increment of value added [30, pp. 395-420]. The latter can be ensured by the creation of cluster associations, the development of cooperative ties and the expansion of support manning for their products.

On the other hand, industrial and social infrastructure should prepare qualified personnel for the basic industries, form appropriate standards of production and consumption of innovative products, regulate (study and make recommendations) internal and external demand, provide priority scientific researches, develop and modernize the social sector and improve the ecological state of the society [7, pp. 6-12].

Informative, educational and health services, as well as the formation of comfortable human environment dominate in the structure of consumption. Such transformational changes, the pace and quality are largely dependent on the developmental level of the regions and territories, their ability to form effective market institutions and improve the social role of business.

Modernization should complete the transition from formal to real federative relations, from sectoral to territorial specialization, from “consumer society” to “intellectual society”, which are characterized by the increasing role of the territorial factor of social development, life quality rating for all its parameters (life span, health, education level and income structure, opportunities for creative development, etc.).

The issue of life quality or human development index (HDI) is usually assessed by three indicators: GDP per capita, average life span and educational level of the population. If HDI is 0.8 or more we can consider it is an economically developed country with a high human development index. When HDI is 0.5 – 0.8, living standard is moderate, but if HDI is less than 0.5 the country is regarded as underdeveloped one with low human development index.

The human development index in Russia is far from desirable as well as in other former socialist countries [17; 20, pp. 9-12]. It is a deterrent of social, economic and general development. That is why *we consider it is reasonable to provide the modernization of social development with social orientation and place it under the interests of comprehensive human development and implementation of all its possibilities and potentials.*

Nowadays there is an alternative to the life quality researches in the societies with advanced market economies. They are the researches in *the economy of happiness*, where a person feels happy when the human development index is low. Human happiness index which was proposed by Nobel laureate Joseph Stiglitz is used to explain so-called Easterlin paradox [10, p. 171], according to which, human happiness index is far higher in the less developed countries.

By the way, the term “*economics of happiness*” isn’t interpreted quite adequately in Russian. According to the translation of the Academician V.L. Makarov, the word “Happiness” doesn’t mean only happiness [10, pp. 172-173]. It also means satisfaction in state, environment, tempo of life, etc. Human population is extremely diverse and multifaceted. A person often finds more satisfaction not in money or material values, but in his or her own place in the social or industrial group, whose opinion is valuable. A person can also find satisfaction in the activities where he puts his heart and soul.

The pursuit of social status isn't less realistic feature of human nature, than the pursuit of material goods. Just because of these circumstances, science should more fully, more deeply and objectively assess the role and place of man in the processes of modernization, so his ability and energy don't only serve for social development, but they can add "crumbs of happiness".

Opportunities and trends in the modernization of federative relations

The modernization of Russian society needs for the greater social orientation of economy, increasing of a territorial factor in the socio-economic development and improving of macroeconomic indicators by means of the regional specialization, the development of inter-regional integration and rapid development of such sectors which determine the foreign economic status of the country and region. Supposed transition demands on a set of interrelated sectoral and territorial changes in resources, terms and stages of transformation. The latter will include the necessity to move to a new model of the territorial development in Russian economy, which allows us, *on the one hand*, to create a framework of regional (republican, regional, provincial, district) and territorial centers (city, district) of economic growth which can generate and transmit the innovative impulses for economic development to the allied subjects. *On the other hand*, it should accelerate the development of remote and outlying regions and territories [22, pp. 19-30].

The modernization of social structure requires activating the processes of innovation development and the formation of socially-oriented state by means of increasing role of science in the substantiation of "smooth" transition from the regional aligning policy to its new type which satisfies the federative structure of Russia. We see the ideology of this transition in the following.

The first move is the active and purposeful formation of *institutional environment* by the

use of different and more progressive development institutions and norms that contribute to the creation of *a polycentric spatial structure of the country's economy*.

This means the formation not only one or two centers, but numerous centers of economic growth, which will include all the major regions and cities. They will promote the network effect around these centers. Small and medium-sized cities will get a shot in the arm through the development and inclusion them into the metropolitan area, as well as other remote and outlying territories. The centers which can carry out this mission now include the agglomerations of Moscow, St. Petersburg, Yekaterinburg, Chelyabinsk, Samara and Togliatti, Nizhny Novgorod, Volgograd, Vologda, Kazan, Ufa, Novosibirsk, Tomsk, Omsk, Krasnoyarsk, Irkutsk, Khabarovsk, Vladivostok, as well as the agglomerations of the south of the Rostov Oblast and Krasnodar Krai.

The second move is *the search for the new sources of regional competitiveness*. The developed countries, including the European Union known for its profound traditions in the regional policy, formulate and realize the strategy focused on the implementation of the idea of territorial cohesion and balanced approach to the territorial development. European countries have recognized as a scientific fact the possibility of accelerated economic growth *not only in big cities*.

Regional policy shows that it is important to develop industrial communications of small and medium-sized towns (polycentric development) and form regional, territorial and innovation centers in rural areas. The role of medium-sized towns is seen in the conjunction of large cities, small towns and remote rural areas. If we create the appropriate macroeconomic and regional conditions, medium-sized towns could promote integration and inhibit the depopulation of rural areas.

Just that very approach allows us to give consideration to urban agglomerations in Russia as the new major centers for innovative development, *which could give a new impetus to the regional and territorial development based on the modernization of development institutions and the formation of new generating competitiveness centers:*

➤ *outlying territories* as the exponents and translators of Russian geopolitical interests in the border areas with other countries;

➤ *remote areas and small towns* as the necessary participants of cluster projects and solutions which are produced in the major regional and territorial centers that will allow us to transform these territories into the regional centers of economic development;

➤ *rural areas* as the new centers of competitiveness based on the diversified economy. New opportunities of renewable energy sources, efficiency and radical change in agricultural technology, approaching of agricultural product processing to the production contribute to the competitiveness of these territories.

These territories can become the new sources of large-scale competitiveness of the country along with the largest cities. New regional policy should be aimed at the realizing of these territories' potential and permanent development and modernization of their integration with the cities and regional innovative centers.

The third move is a *human-centred development paradigm* which should be at the heart of modernized regional policy.

The most important imperative for our country is the forcing of the whole spectrum of investment in human development, first of all, its innovative components. The new human-centered development paradigm in the XXI century consists just in it. Today it is an axiom that the only decisive and future-oriented factor of successful resource funds implementation is socially and economically motivated, professional and civic-active human

potential. The qualitative characteristics of the population, their active innovation and pioneering position may be the dominant factor in the determining of the country's future development contours.

One of the major problems of preserving and maintaining of the sustainable economic development in the regions is the lack or decrease of the incentive component's effectiveness of highly productive labor. It is especially true for the remote regions with large amounts of agricultural lands and territories – the areas for the traditional nature management of indigenous smaller peoples¹.

Radical changes in the socio-economic system during the reform period have led to the radical transformation of the motivational processes conditions. The considerable part of enterprises is oriented to the compulsion strategy using a strong negative motive of possible dismissal and unemployment. This motivation model forms attitude to work as the means to obtain material benefits. It sets only the lower levels of motivation in motion. It doesn't take into account the potential of innovative initiative and responsibility for the fate of the country which were used previously as a model of labour and civic activity of working people.

That's why within the scope of modernized regional policy it would be reasonable to discuss the possibility of expansion of scale effect by the use of the increased motivation of labor activity in such key areas as:

➤ the forming of worthy labour standards in the regions;

➤ the development of the corporate relationship culture among administration and employees in the regions;

¹ "Economic reality raises the thorny question about human capital competitive recovery... – V.N. Belkin, N.A. Belkina, L.V. Vladykina write, – that but this fact is not realized by everyone...and the contribution of science to the theoretical justification of this process is not sufficient" [2, p. 4]. M. Starchevoy calls to "reconsider neoclassical theory and build a new model of man, which could explain a lot of things which were misunderstood previously or even excluded from the analysis" [18, p. 78].

⇒ the use of stimulating potential of social technologies implemented in the legal and economic forms based on the principles of reasonableness, fairness and awareness;

⇒ the expansion of the regional employee potential oriented to initiative and creative labour.

The fourth move is the reliance on the self-development processes in the regional and territorial socio-economic systems as a driving force behind the modernization of Russian economy [21, p. 15-23; 23, pp. 77-99]. In order to do this it is necessary to define the mechanisms and tools to choose *the most effective regional development priorities, which include the problem areas and aim at the improving of their sustainable functioning based on self-organization and self-sufficiency.*

The most difficult issue is the definition of the self-developing regional (municipal) economic system. Without going into detailed analysis of existing approaches, we take the liberty to propose the following author's version.

Under the self-development of the regional economic systems *we mean the strategical ability of the region to provide the expanded reproduction of the gross regional product in the current social macro environment at the expense of the existing potential of their own resource capabilities and revenue sources for the implementation of both macroeconomic objectives and national priorities, as well as for the realization of the regional systemic targets.*

The self-development of the regional economic systems requires two generating signs:

1. Internal self-sufficiency of the regional economic system which can ensure the long-term sustainability of the regional development at the expense of:

1.1. Material, labor, financial, intellectual and other resources which are necessary and sufficient for the development, as well as production, infrastructure, business and other opportunities to provide the expanded reproduction of GRP.

1.2. Objectively defined mission and purpose of the regional self-development, priorities and the motivations of self-development. *On the one hand, the mission and purpose are intended to be based on the targets of the macro-economic system in whole providing their systemic implementation. On the other hand, they must ensure the implementation of the regional goals that reflect regional needs and interests of those people who live in the region. From our point of view, the ability to implement regional needs and interests as a part of the macro-economic needs in the process of self-development is a powerful motive to improve the tools of self-development in future.*

1.3. Regional industrial, infrastructural, organizational, management, territorial and other systems can retarget autonomously under the influence of internal and external changes.

2. Favourable external conditions can ensure the stable and balanced self-development of the regional economic systems on the strategic perspective. The list of the external conditions which can ensure the stable functioning and development of the regional economic systems includes:

2.1. Social, political and ideological willingness of the federal leadership and regional administration to ensure the achievement of socio-economic parameters by the use of self-development regional economic systems. It is very important that most of people would interpret the idea of self-development regions as the most affordable and reliable form to realize their individual and group needs and interests. It is also necessary to support this idea by the use of insurance macroeconomic conditions and arrangements.

2.2. Constitutional and legislative guarantees to the regions and macroeconomic possibilities (fiscal, budget, credit, property, etc.) to use self-development models both for the realization of macroeconomic objectives and priorities and regional targets. The most promising regional targets are the following:

the formation and development of business areas based on the municipalities, the creation of technology towns, transfer centers of advanced technology, market institutions to secure labor, land and forest resources for the region, regional ownership reforming, etc. *We consider it is principal to remove restrictions from the regions regarding the establishment of the regional state-owned corporations based on the principles of state and private partnership in order to solve the problems of structural modernization and restructuring, as well as to raise competitive capacity of domestic production through its innovative renewal.*

2.3. External change forces over the regional development (they were caused by the changes in world market for goods and services, regions' participation in international programs and projects, development of international integration ties between the regions and the country in general) demand on the reasonable approach to the balance of external economic factors and indicators. Such reasoning is necessary to maintain a self-developing region by the use of international community's possibilities for the technical and technological modernization of its own domestic goods and services production. Ultimately, international economic and integration ties of the regions are reasonable in terms of expansion and consolidation of competitive positions, import dependency restriction and increase in the production capacities of the regions and the country in whole².

System-generating and system-protecting role of external conditions, guarantees and factors in the processes of formation and functioning of the self-developing regions is seen in the following. *If the internal self-sufficiency of the regional economic system provides the sources of sustainable development and reproduction of*

the GRP (simple or extended), then the external conditions should form and reproduce social, political, legislative and foreign macroeconomic environment which can provide it with the most complete and efficient use of territorial opportunities and resources for the implementation of general federal and regional targets, stability and security of the Russian Federation in whole.

One of the key instruments of the regional economic policy is improvement and creation of the new forms of economical territorial organization and, in particular, formation of *business areas* in the regions and municipalities. It was established successfully in the developed countries long ago.

Typical examples of the established business areas, which were approved in the world and domestic practice and science, are technology towns, industrial parks, special economic zones, transport and logistics centers, specialized trade and warehousing zones, etc. The business areas can be formed wherever in the region or municipality, if there are suitable objective and subjective conditions.

One region or municipality may contain several business areas. All of them make a valuable contribution to the local economic development through the development (especially small and medium-sized), expansion and improvement of infrastructure, employment increase and rise in the standard of living, activization of investment and innovation processes, rise of tax base and budget income. The business areas are the means of economical diversification and the ways to find new industries and services for the single-industry towns. The business areas are the means of rebranding and the ways to attract new companies and industries for the depressed areas and cities. Land redevelopment (in the first place, old industrial areas redevelopment) is very important for the creation of business areas in such regions. Redevelopment is primarily associated with the complex property transformation; it can become a very popular and relevant tool

² Increase in the financial risks during the process of economic globalization will inevitably require balanced and science-based decisions on the entry of regions into the international integration alliances and community with Russian participation [29, pp. 3-15].

of the regional policy, since 85% of cities in Russia were founded on the basis of large industrial enterprises. In market economy these enterprises are unclaimed but they still have huge territorial and infrastructural resources. Redevelopment allows us to neutralize such disadvantage of business areas as significant financial costs which are especially necessary to build infrastructure and communications.

The fifth move is the implementation of the new regional policy which is possible due to the *establishment, adoption and improvement of various development institutions*. At the same these institutions should be sufficiently varied, as well as they should provide multipurpose focus of the territorial development.

The first group of institutions may be related to the direct actions of the government to implement the key provisions of the regional policy, especially for problem areas. These institutions may include: Housing and Utilities Reform Fund, Fund for financial support of the Russian Federation; fund for regional finance, regional development fund, etc. *The second group* includes the institutions that promote incentive innovation of the territorial development: the creation of special economic zones, foreign-castles, etc (introduction and development). *The third group* of institutions can be oriented to change the technologies for regional planning and management. These institutions may include a revolving fund based on the introduction of project management in the regions and municipalities, indicative planning, etc. *The fourth group* of development institutes is associated with the activation of the business community in the form of strengthening of horizontal linkages, including the cluster forms of business development, Public–private partnership (PPP), project planning, etc.

Cluster approach allows us to establish linkage between the center and its surroundings at the expense of closer inter-firm cooperation, creation of common labour-markets, technology, knowledge, more available total resources

for enterprises, combined costs reducing and the formation of synergistic interaction effect. All participants in the cluster have competitive advantages under the influence of total effects of scale synergies. Moreover, the cluster contributes to the development of horizontal networks of relations, as well as partnership cooperation in the chain: business – government – science – education³.

The integrating nature of the cluster approach as the Institute for Regional Development is also consists in the possibility of complex problem solving. They include a regional strategy aimed at the increasing of regional economy and businesses' competitiveness; industrial policy aimed at the creation of a competitive industrial complex in the region; transition to the innovation model of regional development; creation of competitive environment for small and medium-sized business in the cooperation with big business; extension work in the region and regional infrastructure development, etc.

The sixth move is a **programmed project approach** which should become the basis for the new regional policy and territorial development governance as the federal development institute that can meet modern needs of the globalizing economy.

The mechanism for the implementation of the regional policy is related to the definition of its strategic priorities. That's why there is a need for the development and approval of the *Concept (main lines) of the regional policy in the Russian Federation* as a part of the strategy for the socio-economic development of Russia up to 2030.

³ The government of the Sverdlovsk Oblast and the staff of the Institute of Economics, UB RAS have developed a methodology to create the cluster consolidations based on the sectoral, specific and territorial characteristics [8; 27, pp. 11-19]. The experience of Volgograd is worth to be noted which used a cluster model of complex building management in the major cities [6, pp. 60-65]. It is also necessary to point out OJSC Russian Railways. This company and the Institute of Economics, UB RAS develop the cluster model of traffic management, as well as FSPC "Altai" (Biysk) uses the cluster of industrial and social infrastructure of the parent company [30, p. 399].

The programs covering the most difficult issues of regional development should be elaborated on the basis of strategic priorities for the regional policy (no more than 4 – 5). Specific targets should be solved on the basis of *programmed project approach*⁴.

Yekaterinburg has taken the lead in the use of programmed project development of the territories. It was the first city in the Russian Federation which adopted “Strategic Plan of Yekaterinburg” by the resolution of the Municipal Duma on June 10, 2003 [19].

According to the opinion of the mayor and now a deputy of the Federation Council of Russia A.M. Chernetsky, the plan of the city development was created and implemented on the basis of three innovative ideas which were new for Russia. Those ideas required material changes in the mentality of the city leadership and city population [19, p. 3]. *Firstly*, the motto for the development, negotiation and implementation of the plan was the idea to “think strategically and act together”. That idea was a starting point for the development of the Strategic plan and *it joined the priorities of the city development with the project initiative of its people*.

Secondly, the Strategic plan has become a city-wide document since its development. A lot of scientists, managers, deputies, businessmen, public organizations and professionals were discussing and developing the document during three years.

⁴ The practices shows that developed strategies and programs of socio-economic development of the regions and municipalities have suffered and still suffer, firstly, from the lack of clear goals stipulated by the regional (territorial) needs for development. They are often replaced by political slogans and calling for macroeconomic. Secondly, they suffer from reduced public opinion support, existing needs and preferences of various and social groups in the region. But they are guided by the macroeconomic preferences which are usually remote and unclear for most of the population. Thirdly, they have an ability to unite organically policy decisions and creative activity of the population in the same document, planned and market-based approaches, administrative resources and market initiative (enter-susceptibility), the scientific breakthrough ideas and business savvy of business [26, 50-55; 32, pp. 65-73].

They studied international experience including programmed project development of Birmingham (UK). The Strategic Plan was also discussed by public. Then it included a huge number of suggestions and wishes of city residents, state and federal agencies. This fact allows us to consider the Strategic plan of the city as *the programmed project creativity of the whole urban community*.

Thirdly, the Strategic plan of Yekaterinburg is focused on the steady improvement of life quality in the city. All eight programmed directions of the plan and the majority of more than a hundred business projects are devoted to this purpose. The first programmed direction of the plan is “Preservation and development of human potential”. It opens the action program. And the eighth programmed direction “The General plan of Yekaterinburg – the city for a person” completes the action program of the urban community in the development of Yekaterinburg. The final section of the plan “The mechanism for the strategic plan implementation” is also noteworthy. Its essence can be summed up with the words: “We should work on the result and shouldn’t close from innovation” [19, p. 3].

The Strategic Plan of the city is a scientifically substantiated generalization of the needs of different population strata and megalopolis’s market agents which takes into account the specifics of the city and its competitive opportunities. At the same time, it is characterized by high innovation trend aimed at the solving of city problems of economy restructuring, the accelerated development of industrial and social infrastructure, etc.

The relevance of the programmed project approach in the market conditions is seen not only in the situation when the people take part in development of the strategic plans and permanent public monitoring of the main priorities implementation. They are one of the most important but not the only advantages of it.

On the one hand, the programmed project approach allows us to join in the same document planning administrative and marketing initiatives, as well as administrative resources and enterprise for the benefit of development. It makes it possible to meet the needs of urban integration of government, science, business and public opinion. *On the other hand*, it allows us to distribute the financing of these programs and projects between the city budget, business and population. It can reduce significantly the total costs and increase the effect of the business projects.

Positive evaluation of the Strategic Plan of Yekaterinburg for the period from 2003 till 2008 has required correcting it and increasing most of programmed parameters. The updated Strategic plan of Yekaterinburg for the period till 2025 was approved by the Municipal Duma in 2010 after two-year debates (from 2008 till 2010) [20]. It was supplemented with the development parameters specified in timing and directions. The project section of the plan was revised seriously. The number of projects was increased up to 130. Business activity in project financing increased greatly – up to 45% of the total project cost and more.

The methods of programmed project management allow us to set more reasonable goals and plan innovation, investment and other activity of the regions in the optimal way. Project management allows us to recognize project risks, optimize the use of available resources and avoid conflict situations, monitor the implementation of the plan, analyze the actual activities, make timely adjustments in workflow. It also makes it possible to store, analyze and use the successful projects in future.

Project territorial management ensures the formation of effective management model which allows us:

- *to obtain the measurable results* of each goal, each service and activity;
- *to see the services and activities* the goals of which will turn around for the region's population;

- *to estimate the influence* of increased or decreased budget *over the other indicators*;
- *to estimate the socio-significant result* of the services, which are provided for the regions;
- *to regulate the working efficiency* of the agencies and institutions based on the analysis of their expenses relative to the obtained results;
- *to identify the real value of the goals achievement, implementation tools and responsibility for these goals* according to each purpose of socio-economic development.

At the regional and municipal level the use of the project-based approach involves, *firstly*, organic project embeddedness into the document complex of strategic territorial planning (strategy). It should also secure the strategic goals and objectives of the region (municipality) So these projects are essentially the strategic projects which are gathered in the logic chain: the development strategy of the region (municipality) ↔ strategic programs ↔ strategic projects (business projects).

Secondly, it is a transformation of strategic projects into the specific mechanisms and institutions of strategic development areas programs. Their development must be based on the interaction of all members of the territorial community: private business, government and administration, science, education, public members which should ensure the implementation of these projects. The business plans of private sector must become the basis of the strategic projects including the principles of State-Private Partnerships.

With this approach, the projects will focus on the efficient interaction of all project's developers. They will continue to be based on clear planning and quite specific activities of social development modernization. They will be provided with the funding sources of the projects' participants. Only in this case, the projects will become *the public documents of agreement* and all the members of modernization processes in the regions will be interested in them.

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