

Development of the economic space of Russia's regions on the basis of cluster principles



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Nowadays, when most part of the world's livable surface has been developed, the economic space of the Russian Federation is becoming the factor that can, on the one hand, play a profoundly positive role in Russia's socio-economic development, on the other hand, it can be deeply negative, if used formally or in no way at all.

That is why it is considered necessary to state, that scientifically grounded management of economic space, including the understanding of what economic space is, the constant analysis of its development trends, a comprehensive study of the theoretical, methodological and methodical aspects of its controlled development, is not only becoming an acute issue in Russia, but also acquires increasing geopolitical importance.

At present it is possible to point out a few trends in the development of the Russian Federation economic space: 1) a distinct process of its narrowing is taking place; 2) the level of economic space centralization is increasing; 3) the economic space disintegration and fragmentation is increasing, and it should be noted, that the factor, hampering the unity of Russia's spatial development, is the backward transport infrastructure; 4) the spatial development management of the country's economy lacks consistency, etc.

The trends stated above, as well as the analysis of the Russian Federation main strategic documents indicate that a powerful spatial factor has not become the decisive factor for our country concerning its economic growth, socio-economic development and modernization of the society.

The underestimation of this fact may cause large-scale economic losses whereas it could be turned into a unique competitive advantage of Russia on the world arena.

In our opinion, the solution of this problem lies in the formation and application of a **systematic approach to economic space management**. This approach has been successfully developed and implemented on the basis of long-term researches of scientists from the Institute of Economics of the Ural Branch of RAS, the Institute of Economics and Industrial Engineering of the Siberian Branch of RAS, The Economic Research Institute of the Far Eastern Branch of RAS, the Council for the Study of Productive Forces of RAS, the Institute of Systems Analysis of RAS and other regional institutions.

The systemic transformation of the economic space is based on the theory of polycentrism, which states the necessity of transforming the centralized economic space into the polycentric network.

Therefore, the essence of the new model of the Russian economy's spatial development and management consists, on the one hand, in the creation of a framework of regional (republican, oblast, krai, district) and local (city, neighbourhood) centres of economic growth concentration. These centres should be capable of creating and transferring the innovative impulses of economic development to the neighbouring subjects.

On the other hand, this model includes systemic management of these processes with the support from market-based institutions that make it possible for remote and outlying districts and territories to embark on the course of accelerated development. The main directions of systemic modernization in the economic space management are as follows:

- creation of the polycentric spatial structure of the Russian economy by supporting the processes of urban agglomerations formation and development throughout the country;
- in addition to differentiation and maintenance of the centres, it is necessary to search for new territorial sources of competitiveness increase (remote, suburban and rural areas);
- driving force of the Russian economy and society should be based on the processes of self-development and autonomous management of all levels of regional and territorial social-economic systems;
- human-oriented paradigm of institutional development aimed at speeding up the entire range of investments in the human potential development, mainly, its innovative components, should be the cornerstone of a new regional policy;
- creation of new forms of economy's spatial organization through the establishment of business-territories within the borders of a region and/or municipalities as one of the real institutions of territorial-production self-development;

- creation, introduction and improvement of various development institutions, related to the state's direct action (Fund for reforming housing and communal services, etc.); to the innovative territorial development stimulation (Special Economic Zones (SEZ), innograds (innovation centres), etc.); to the change in regional planning and management technology; to the promotion of horizontal interaction between business, authorities, scientific and educational community, also through the cluster forms of business development, public-private partnership (PPP), etc.;

- spatial development management should face the transition to a programme-project approach as it is the market institution of Federal and territorial development that meets the present-day requirements of globalizing economy.

The implementation of these trends is connected with the necessity to create the following conditions on the Federal level:

1. Today the largest cities play the leading role in the investment, innovative, social processes, and their development strategy mainly determines the growth rate of the country's economy. The mechanisms of the region's potential effective usage and conditions for economic growth can be formed at the level of the largest municipalities that bear full responsibility for the territorial socio-economic problems solution.

Active inter-municipal cooperation as a form of urban agglomerations development management is essential for the development of *urban agglomerations* as established systems of inter-related human settlements.

The situation in this sphere still requires much attention and improvement. The present goal is to propose the model mechanisms of forming the urban agglomerations system regulation, after studying the most successful domestic and foreign practices.

In general, the steps towards the formation of inter-municipal cooperation may be as follows:

1) at the first stage, the establishment of areas, territories (zones) of the common interests, connected by the balanced development of social, environmental, transport, information and other types of infrastructure;

2) development of mechanisms of economic, urban, etc. development, facilitating the formation of a single agglomerative space; adoption of coherent and economically grounded legal decisions;

3) accelerated development of transport and communication infrastructures, creation of common logistics centers, the introduction of affordable high-speed public transport which links the cores of agglomeration and satellite towns;

4) implementation of projects, aimed at the expansion of «bottlenecks» in the provision of agglomerations with resources: electricity, water, building materials, etc.

Choice of the agglomeration management model (contractual or one-/two-level management structure) objectively depends, on the one hand, on the regional authorities' political will, on the other hand – on the nature of inter-municipal cooperation in the region.

2. Besides the increased attention towards urban agglomerations in Russia, as new major centers of innovative development, it is necessary to stimulate *the development of territories that are capable of becoming the new centers of generating competitiveness*:

– *border territories* as representatives and translators of geopolitical interests of Russia;

– *remote territories and small towns* as the necessary participants of the cluster projects and solutions, created in large centers, which contributes to the transformation of these territories into the centers of economic development on the regional scale;

– *rural areas* as new centers of competitiveness emerging on the basis of a diversified economy.

New opportunities concerning the use of renewable energy sources, the improvement of efficiency and fundamental change of technologies in agriculture contribute to the growth of competitiveness of these territories, as well as the cities.

The experience of European regional policy convincingly shows the importance of relations in the context of small and medium-sized towns, as well as the role of local centres in rural areas. The role of medium-sized towns lies in creating a link between large cities, small towns and remote rural areas; medium sized towns also play an important role in promoting integration, relations and economy due to their scale; besides, they curb the rural areas depopulation.

These territories in Russia may become a new source of competitiveness of the country, as important as big cities. The new regional policy should be aimed at the realization of these territories' potential and strengthening of their relation with the cities.

3. Today, the notion that **socially and economically motivated, professional and politically active human potential** is the decisive and the only active and future-oriented factor of successful implementation of the Russian Federation resource capacities has become an axiom. The qualitative characteristics of the population, its active innovation-oriented attitude can become the dominant factor determining the framework of the country's future development.

One of the most important problems concerning the sustainable development of the regional economy is a lack of and/or decrease in the efficiency of the motivation component of highly productive labour. This especially concerns the remote regions with large agricultural areas and the territories traditionally used by indigenous small-numbered peoples.

That is why in the framework of the updated regional policy, it is expedient to discuss the possibility of expanding its effect by **improving the motivation of labour activity** in such key areas as:

- formation of the standards of decent and productive labour in the regions and municipalities;
- development of the corporate culture of relations between the administration and employees, the population of cities and settlements;
- use of stimulating capacity of the social technologies that are implemented in the legal and economic framework on the basis of compliance with the principles of validity, justice and information awareness;
- enhancing the capacity of workers who are oriented towards the initiative and creative work.

4. Reliance on the processes of self-development and autonomous management of all levels of regional and territorial socio-economic systems requires defining the mechanisms and instruments of choice of the most effective territorial development priorities, as well as concerning the problematic territories, aimed at improving their sustainable functioning on the basis of self-organization, self-repayment and self-government.

Unfortunately, existing macroeconomic conditions do not contribute to the self-development of territories. The last few years (from 1999) are characterized by rapid centralization of tax revenues in the Federal budget. This leads to a decrease in motivation aims for regional and municipal authorities to increase budget revenues by broadening the tax base and increasing the collection of its own taxes, hampers their initiative and entrepreneurship, creating dependency and irresponsibility. A rising share of non-repayable sources of the regions and municipalities' budget revenues becomes the ground for the preservation and develop-

ment of negative processes – dependency, abuse, administrative extortion from the population and business, etc.

In order to eliminate the negative processes, stimulate initiative and self-sufficiency, it is extremely necessary to liberalize the RF fiscal policy in favor of regions and municipal entities. The following should be done:

- revive the Soviet government attempt to expand the initiative of the regions and municipalities through the Institute of self-repayment and self-development;
- gradually improve the macroeconomic conditions (political, legislative, tax, budget, etc.) in order to encourage the regions and municipalities towards the initiative and effective work in the interests of their socio-economic development;
- carry out the specific policy aimed at strengthening and developing the regions and municipalities' material-technical base through the expansion of their powers of land disposal (for instance, formation of the regional and/or municipal market of land leases), property and resources management;
- improve the research intensity of socio-economic development management at all managerial levels;
- create a positive attitude of the population towards the initiatives of the Federal and regional authorities by means of:
 - continuous scientific examination of administrative decisions and the possible consequences of their implementation;
 - publicity of their discussion and consideration of public opinion while improving and implementing the management initiatives;
 - establishing a constant dialogue with the society on the problems of RF, its regions and problem areas' social development.

5. One of the regional economic policy priorities, that had positive impact in developed countries, is the establishment of new forms of spatial organization of the economy through **the creation of business territories**

within the borders of the region and/or municipalities as one of the real institutions of territorial production self-development.

Typical examples of business territories, that have been tested and approved in the world and domestic practice and science, are technopolises, science and technology parks, special economic zones, industrial parks, transport and logistics centers, specialized logistic compounds, etc. Business territories can be formed in any place of a region or a municipality, if the appropriate objective and subjective conditions have been or are being created there. Given everything into account, *the business territory establishment is considered to be the most promising within the borders of a municipal unit (city, district) that can systematically and comprehensively develop the territorial potential* in the interests of its inhabitants and on self-repayment and self-development principles.

For single-industry towns, for example, the creation of business territories is the means of economy diversification and creation of new manufactures and services. For depressed regions and cities it is primarily the means of rebranding, changing the image, and attracting new companies and manufactures. Land (in the first place old industrial zones) redevelopment, associated with the comprehensive transformation of real estate objects, plays a great role in the establishment of business territories in these areas.

In the near future, redevelopment may become a very popular and relevant instrument of regional policy, since up to 85% of Russian cities grew around or on the basis of large industrial enterprises, the potential of which wasn't used in the conditions of a market economy, but which still possess enormous territorial and infrastructural resources. Redevelopment can level such a drawback of creating business territories "from scratch", as the significant financial costs, especially for the construction of necessary infrastructure and communications.

6. The state policy of economic space development and strengthening should be based on **the active use of market institutions of spatial development**, the most common of which are **clusters**. At present, clusters may become the driving force of the economy's innovative development, the centres of investment and intellectual resources concentration.

The practice of cluster projects implementation shows that their development is hampered by the lack of balanced regional cluster policy and lack of coordination in the exercising of powers in the certain tasks solution in this sphere. Absence of formalized industrial policy, both on the Federal and regional levels has a negative impact on the cluster initiatives realization.

A detailed analysis of 27 cluster initiatives showed, for example, that in the Sverdlovsk Oblast, and in other regions, there are no clusters, which possess all the features typical for this form of business self-organization. A relatively small part of clusters development projects are at the stage of practical implementation.

Thereby, the state authorities should create the conditions for clusters formation and development and promote on this basis the modernization and diversification of the economic structure of Russian regions.

The realization of these conditions is possible in the framework of the regional cluster policy tasks that emphasize:

- creation of favourable general organisational, informational and legal conditions for cluster development in a region;
- identification of clusters; assessment of clusters and directions of their development; formation of a cluster initiatives portfolio in a region; ranking of clusters according to their priority in a regional development;
- finding the initiator organisation or groups of leaders and promotion of their efforts aimed at cluster formation; institutionalization of the cluster initiative (elaboration of the cluster development concept and

programme, creation of the cluster development body); assistance in formation of the common spheres and competence centres of the cluster participants;

➤ support of already functioning (developing) clusters including: organizational and information assistance in the coordination of the cluster participants' efforts; support of infrastructure creation and development; promotion of personnel training and education; introduction of tax and other benefits for cluster participants.

The improvement of the RF Budget Code from the viewpoint of establishing a budget of development, which is aimed at promoting the innovative technologies implementation and development and management in the conditions of economy clusterization, can be considered as back-up measures on the federal level.

7. The regional policy implementation, territorial development and management of these processes should be based on the **programme-project approach**, as it is the institution of federal and territorial development which meets the present-day needs of the globalizing market economy.

The mechanism of the regional policy implementation is connected with defining its strategic priorities; therefore, there is an urgent need for the development and approval of *the concept (main directions) of the Russian Federation regional policy* as an integral part of the Strategy of the socio-economic development of the Russian Federation up to 2030.

Programmes covering the most comprehensive problems of regions development should be worked out on the basis of the regional policy strategic priorities (no more than 4-5). Achievement of specific goals should be based exclusively on the *programme-project approach*.

The relevance of the programme-project approach in market conditions is seen not only in innovative participation of the population in the strategic plans development and constant

public control over the programme priorities implementation. This is its most important, but not the only, advantage.

The program-project approach allows, *on the one hand*, to combine in a single document the possibilities to use planning, administrative and market initiatives, the administrative resource and entrepreneurship, consistently meet the city (regional) needs through the integration of power, science, business and public opinion for the benefit of development.

On the other hand, it allows to distribute the programs and projects financing between the city (regional) budget, business and population, which not only significantly reduces the total costs and increases the effect from the business projects realization, but also reduces the load on the regional and Federal budgets.

Application of programme-project management methods allows for a well-grounded setting of the goals and optimal planning of innovative, investment and other regional and territorial spheres of activity, including the territories of the new economic development.

Project management provides the opportunity to consider project risks more profoundly, to optimize the use of available resources and to avoid conflict situations, to control the execution of the developed plan, to analyze actual performance indicators and to make timely adjustments in the course of works, to accumulate, analyze and use the experience of successfully implemented projects.

The use of project management of the territory facilitated the implementation of the result-oriented management model, which ensures the development and provides an opportunity to:

- ◆ *obtain measurable results* of each objective, service and activity realization;
- ◆ when setting a goal: to estimate *the number and quality of activities and services* that will be provided to the regional (territorial) population;

- ◆ assess the influence of the budget change (increase or decrease) on the change in the plan's indicators;
- ◆ obtain *socially important results* from the provision of specific services;
- ◆ evaluate the effectiveness of agencies and institutions' activity by analyzing their expenditures in relation to the obtained results;
- ◆ determine, for each goal of territorial socio-economic development, *the real value of its achievement, tools of its implementation and persons responsible for the execution.*

At the regional and municipal levels the project approach application requires the observance of two conditions.

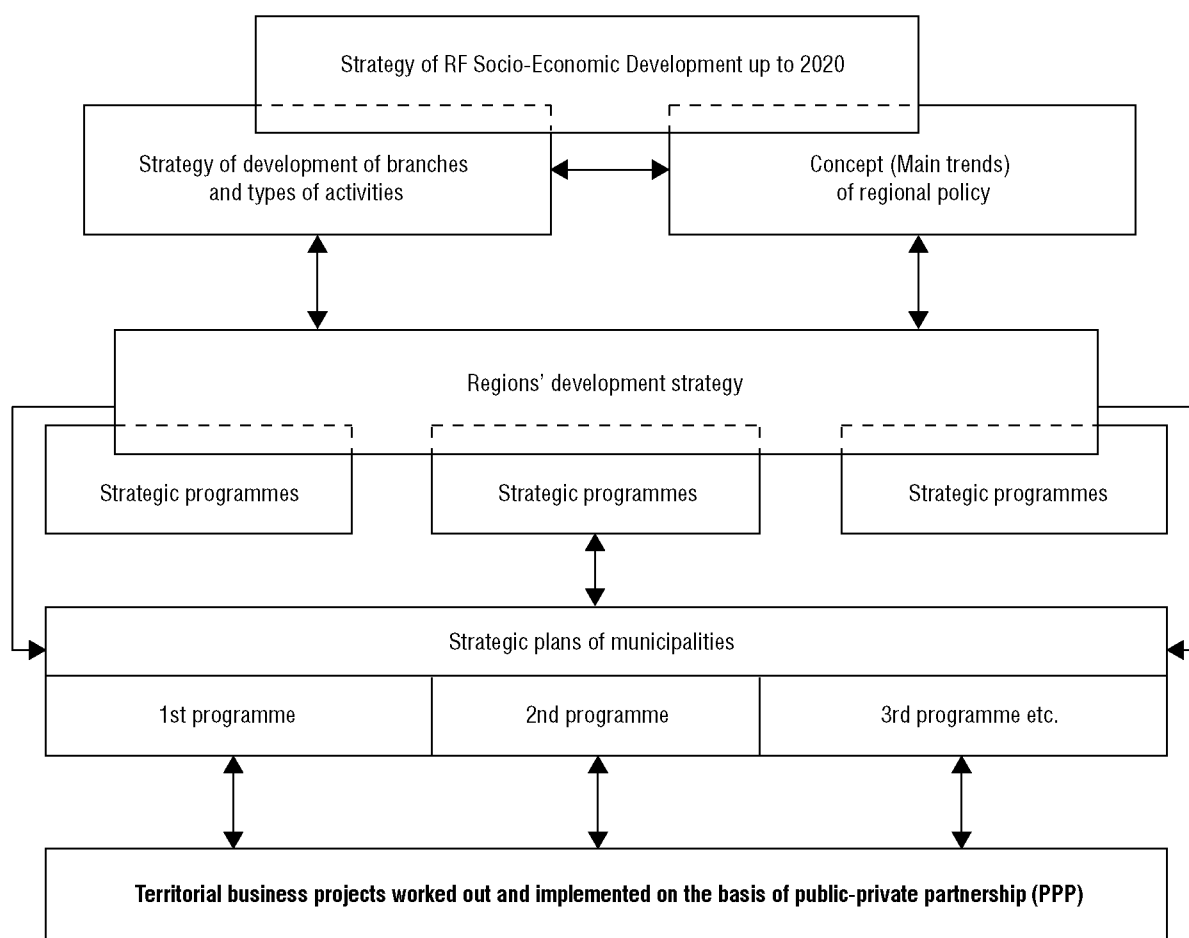
Firstly, the projects should be built into the complex of strategic planning documents of the country and territories and be the logical

continuation of the goals and objectives set by the strategic plan (strategy) of the development of the Russian Federation, its regions and municipal entities. In other words, these projects, in their essence, should become strategic projects, integrated into the logical chain of the overall Federal strategic management (*figure*).

Secondly, within the framework of this approach, strategic projects are transformed into actual mechanisms (institutions) of the strategic developmental programs implementation not only for a municipality, but also for a region as a whole.

Their elaboration, as well as the elaboration of the documents from which they derive, is carried out on the basis of interaction between all participants of the territorial community:

Program-project approach implementation in the strategic management of spatial development



private business, bodies and authorities of all administrative levels, science, education, representatives of the public, experienced in the field of the project implementation. Business plans of the development of private business, including on the PPP principles, are becoming the basis for the strategic projects.

The proposed approach allows directing the projects towards the effective cooperation between all of the project designers; and their further refinement and adjustment can be carried out on the basis of the precise planning of specific activities, their funding sources for each of the participants.

Only in this case the spatial development of the Russian Federation through plans, programmes and projects is based on *the documents of the public consent*, and in their realization not only their initiators and participants are interested, but also all the population of municipalities, regions and the Russian Federation as a whole.

Due to a science-based spatial development management, the Russian Federation can become an economically powerful country thanks to the efforts of the Federal authorities, sustainable development of the regions and activity of the population.