

PROBLEMS OF MUNICIPAL ENTITIES

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Institutional development planning of non-diversified territories

The article presents development trends of one-company towns, ways of the state support provided to such towns in Russia and abroad. It describes the results of monotown development, obtained with the state support, and presents the planning scheme of the institutional development of a company town.

Non-diversified territories, planning, indicators, institutes for development.



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Each economic crisis (the 1990–1992 crisis at the beginning of market reforms, 1998–1999 crisis during the default period, 2008–2009 crisis at the stage of the world economic crisis) has been significantly disbalancing the economy of territories, especially non-diversified territories, having specific formation and development characteristics. They are most vulnerable to social and economic failures, therefore, they require increased attention from scientists, experts, public authorities.

According to the experts of the Ministry of Economic Development of the Murmansk Oblast, monotowns are the localities, in which the population life activity is critically dependent on external factors. Such factors are negatively changed by risk management with regard to the existing life quality of the population, and they can not be compensated only by the managers of municipal enterprises and organizations.

As a rule, a distinctive feature of a monotown is the existence of one dominant company, employing more than a quarter of the town's working population that is often reflected in defining such enterprise as "town-forming" and in the English meaning of the locality itself as a "one-company town"[1].

A group of scientists under the guidance of Ye.G. Animitsa states the following in the monograph: "monoorientation is always a risk both at the enterprise level and at the level of a city, region, country. Due to the sharp market decline in demand for products of town-forming enterprises, the proprietors had to reduce production, place employees on administrative leave, or transfer them to part-time employment, part-time working week or even dismiss them. The reduction in production volumes or its suspension (even partial) at town-forming enterprises paralyses the town life.

Monoprofile economy, distortions in the economic structure make any monotown a hostage of one or two town-forming enterprises” [2].

At present, the following problems of monotowns can be highlighted on the example of Sverdlovsk Oblast:

On the whole throughout the Sverdlovsk Oblast the birth rate has decreased since the end of the 1960s to the level, which is slightly lower than the level required for the reproduction of the population. Modern fertility parameters are 2 times lower than it is required for the replacement. The mortality rate exceeds the birth rate, natural decline in the population remains. For example, according to statistics, in the monotown of Karpinsk the fertility rate in 2012, as compared to 2011, fell by 0.4 and amounted to 12.7 per 1000 people, in the city of Kamensk-Uralsky the birth rate remained at the same level – 13.3 per 1000 people.

According to the balance of labour resources, developed by the Sverdlovsk Oblast Ministry of Economy, by 2019 the number of the region’s labour resources will be reduced from 2762.9 thousand people (2011) to 2653.3 thousand people (by 109.6 thousand people) due to the reduction in the number of working-age population from 2547 thousand in 2011 to 2385 thousand people in 2019 (by 162 thousand people). The decline in the indicator was caused by the decrease in the share of the working-age population in the total number

of the oblast population from 60% to 53% throughout the Sverdlovsk Oblast. As follows from *table 1*, the reduction in the number of working-age population was observed in almost all one-company towns, such as Verkhnyaya Tura, Serov, Krasnouralsk, Kamensk-Uralsky, Severouralsk, Nizhny Tagil.

The trend of the working age population moving to work in other cities is observed in almost all non-diversified territories. The negative migration growth is observed in one-company towns such as Krasnouralsk, Kamensk-Uralsky, Severouralsk, Serov, Verkhnyaya Tura, Karpinsk, Nizhny Tagil (*tab. 2*).

However, the situation at the town-forming enterprises of monotowns remains problematic.

For example, the total production of JSC Verkhnyaya Tura machine-building plant (former Federal State Unitary Enterprise Verkhnyaya Tura machine-building plant) for the 2007–2011 period was reduced more than twice (from 327 million rubles in 2007 to 160 million rubles in 2011) as the result of the cutback in state defense orders.

In June of 2012 the enterprise was turned into a joint-stock company with 100% of the shareholding of the state-owned corporation. 500 workers of the town-forming enterprise JSC Verkhnyaya Tura machine-building plant, facing the sack, have been temporary employed since July 18, 2012.

Table 1. Number of working-age population of a company town, thousand people (in brackets– as a percentage of the legal population of the town)

Town	2011	2012
Karpinsk	17.7 (56.6)	18.9 (59.4)
Revda	37.6 (59.4)	38.3 (60.5)
Verkhnyaya Tura	5.8 (60.8)	5.0 (54.6)
Serov	64.1 (59.4)	64.1 (59.4)
Krasnouralsk	14.5 (56.9)	14.2 (56.6)
Kamensk-Uralsky	102.8 (58.7)	101.3 (58.2)
Severouralsk	30.2 (60.3)	26.6 (59.8)
Nizhny Tagil	218.0 (60.1)	207.9 (57.4)

Table 2. Migratory movement in one-company towns, people

Town	2011			2012		
	Arrived	Left	Migration gain	Arrived	Left	Migration gain
Revda	1 225	1 113	112	1 487	1 335	152
Krasnouralsk	312	535	-223	424	628	-204
Kamensk-Uralsky	2018	3120	-1102	2925	3634	-709
Severouralsk	507	694	-187	557	1084	-527
Serov	1209	1330	-121	1539	1731	-192
Verkhnyaya Tura	270	306	-36	182	299	-117
Karpinsk	2367	1265	1102	254	604	-350
Nizhny Tagil	2693	4330	-1637	4076	4688	-612

The question concerning the state support provided for the organization of the manufacturing of the new types of commercial products has arisen.

The unemployment rate exceeding the average level across the oblast is observed in the majority of one-company towns.

As of April 1, 2013 the average registered unemployment level in the oblast made up 1.4%, the average level of the given indicator in the oblast was exceeded in 11 monotowns: Kamensk-Uralsky (1.84%), Karpinsk (2.83%), Volchansk (2.9%), Kachkanar (2.13%), Verkhny Tagil (2.83%), Krasnotur'insk (2.47%), (2.45%), Verkhnyaya Tura (2.25%), Nizhniye Sergi (2.76%), Severouralsk (3.34%), Serov (1.74%).

The registered unemployment rate is below the oblast average level in Asbest (1.11%), Verkhnyaya Salda (0.79%), Nizhny Tagil (0.66%) and Polevskoy (0.69%).

As *I.O. Moskalenko* notes, the issue of the restructuring and development of monotowns, the economy of which fully depends on one or two rather prosperous, problem or absolutely noncompetitive in new market conditions enterprises, is rather acute in social, economic, political terms. Power-holding structures, enterprises and the residents of the majority of monotowns are unable to offset the increasing risks of dynamic external economic environment, excluding the possibility of sustainable city development [3].

Development institutions become the sources providing crucial support to one-company towns in Russia and abroad.

The Ministry of Economic Development of the Russian Federation considers **development institutions** as one of the state policy instruments stimulating innovation processes and infrastructure development with the use of public-private partnership mechanisms. The main objective of the development institutions is to overcome the so-called "market failures" in order to solve the tasks that cannot be accomplished in the optimum through market mechanisms for sustainable economic growth and the diversification of the economy [4].

In foreign countries the development institutions are financially supported by the whole complex of state and municipal socially oriented measures, among which, as an example, are the following:

- *professional retraining of the population* – frequently in one-company towns for this purpose new universities are established, the list of specialties is expanded and the educational and scientific potential of the population increases on the whole;

- *social support of the population* – the introduction of long-term paid leaves, benefits (for example, preferential mortgage loans); assistance in creating new jobs for redundant employees; organization of made work; entitlement to early retirement, etc;

- *support to small business development* at the expense of state funds, local budgets and public funds;

- *assistance to population resettlement* from unviable one-company towns (resettlement as the monotown support tool is most widely used in the USA due to high mobility of the population);

- *improvement of old and the creation of new infrastructure* (the development of logistics, communications, the construction and reconstruction of residential quarters, etc.). Such special programmes exist in a number of countries. For example, the Ministry of Housing and Construction of France developed the programme “Assistance to housing construction”, according to which the construction of new and the reconstruction of old residential buildings located in the central areas of towns is made out of the funds allocated by the state. Such support is effective, first of all, in attracting more trained labour force, and, secondly, in the situations, when the employees of a shutdown enterprise have the opportunity to work in a nearby town due to the developed transport infrastructure [5].

This institution building experience is being introduced in Russia as well.

Let us consider the results obtained by development institutions with regard to the state support provided to monotowns of the Sverdlovsk Oblast (according to the data of the local authorities of monotowns of the Sverdlovsk Oblast):

1. 164.68 million rubles were allocated from the federal budget for implementing measures to support the labour market of non-diversified territories in 2011.

In particular, 54.6 million rubles was attracted for the organization of made work for 5159 residents of monotowns, with the reimbursement of wages of the activity’s participants to employers.

2. 13 one-company towns of the Sverdlovsk Oblast participated in regional targeted

programmes “Overhaul of apartment buildings on the territory of the Sverdlovsk Oblast” and “Relocation of citizens from unfit housing facilities”, implemented during the 2009–2012 period with the attraction of financial resources of SC “Support Fund for the Reform of the Housing and Utilities Sector”.

Total amount of budget funds allocated for these purposes in the given period, exceeded 5.7 billion rubles, including:

- overhaul of apartment buildings – 4.4 billion rubles.,

- relocation of citizens from unfit housing facilities – 1.3 billion rubles.

In total, 1539 apartment buildings with a total area of more than 4.4 million square meters were overhauled, as a result of which more than 223.5 thousands of people improved their living conditions. The largest volume of apartment buildings were overhauled for the 2009–2012 period in Nizhny Tagil – 597 houses (2.3 million square meters), Kamensk-Uralsky – 522 houses (1.54 million square meters), Asbest – 46 houses (153.5 thousand square meters).

2 685 people were relocated from unfit housing in one-company towns. Total rehousing area exceeded 40.8 thousand square meters (the apartment buildings in disrepair or dangerous ones were demolished – 161 units). The largest volume of work on the resettlement of citizens from unfit housing facilities was carried out in Nizhny Tagil (1538 residents, 77 houses, rehousing area – 24.4 thousand square meters); Serov (571 residents, 50 houses, 7.7 thousand square meters); Karpinsk (306 residents, 20 houses, 4.4 thousand square meters).

Over 2 thousand jobs were created or saved as a result of such volume of work.

3. In order to implement measures to support small and medium enterprises in the Sverdlovsk Oblast over 187 million rubles were allocated from the regional budget to 15 non-diversified municipalities in 2010–2012, out of the budgets of different levels – more than

668 million rubles. The support programmes for the development of small and medium enterprises in one-company towns continue to be implemented. The recipients of support in non-diversified territories (Nizhny Tagil, Asbest, Kamensk-Uralsky) were 5199 small and medium enterprises in 2010, 2320 – in 2011, more than 500 small and medium enterprises in 2012, making it possible to save over 700 jobs in 2012 alone.

4. Due to the provided state support in these towns, the following activities have been carried out as well:

- the construction of 13.2 kilometers of highways, including 8.8 km in Asbest (789 million rubles of the government credits) and 4.4 km in Nizhny Tagil (246 million rubles of the government credits), more than 899 temporary jobs were created for the construction period;

- the reconstruction of biological treatment plants with the capacity of 15 thousand cubic meters in Nizhny Tagil (281.1 million rubles of the federal budget subsidies), which currently allowed providing with water up to 122.2 thousand residents of Dzerzhinsky District and 2 industrial enterprises – OJSC Uralvagonzavod and OAO Uralchimplast, facilitating the work on the creation of a chemical cluster on the basis of OAO Uralchimplast. Over the past three years the total volume of private investments attracted by the enterprise exceeded 740 million rubles (the production of novolac resins was organized, coal-injection plant was installed, as well as other projects were implemented);

- the construction of traffic interchange in Kamensk-Uralsky (426 million rubles of the government credits) and the reconstruction of 5.9 km of street and road network at the approach to the pipe cluster that is being formed on the basis of OJSC Sinarsky Pipe Works;

- end of the heating plant reconstruction (665 million rubles of the federal budget subsidies), providing reliable heat supply system to 50% of Kamensk-Uralsky residents.

During the same period, the enterprise mastered the production of long pipes, formed a joint venture with the state-owned company Rosnano; total volume of private investments exceeded 1.6 billion rubles.

On the whole, the dynamics in overcoming structural constraints, imposed on the economy of the municipality by “non-diversification” precisely in one-company towns that had received state support, is positive:

- the share of the average number of employees at town-forming enterprises in the working-age population group of the municipality has decreased over the 2010–2012 period: from 14% to 13.2% in Kamensk-Uralsky, from 18% to 16% in Asbest;

- in Asbest, the share of town-forming enterprises in the townwide volume of own-produced shipped goods, executed works and rendered services decreased from 72% to 63% respectively.

- the share of profitable companies increased in Kamensk-Uralsky from 65% to 88%, in Nizhny Tagil – from 50.9% to 70.2%.

At present, the scientists strengthen focus on the process of institutional city design.

In particular, V.L. Tambovtsev proposed the following logic of the institutional design process:

- awareness of the problematic situation, i.e. formulation of the problem;

- target setting;

- determination of constraints on the set of possible means to achieve the objective;

- development, analysis and assessment of ways to reach the goal;

- setting of decision-making objective;

- decision-making, i.e. best option choice;

- elaboration and formalization of the option [6].

The author considers the formation of scientific approaches to the design of the institutional development of non-diversified territories urgent and necessary.

The *figure* presents the **map-making scheme of the institutional development of the non-diversified territory**, including the identification of problems/failures of monotowns, consolidation of available sources/opportunities for the development of monotowns, formation of strategic policy documents aimed at the institutional development of a one-company town.

The accuracy of **budget determination, the correct choice of development institutions of a one-company town** becomes important.

R.M. Nureyev, Yu.V. Latov presented the following formulation of the concept: *institutional choice* is such a change of both the formal and informal rules as well as the ways and effectiveness of forcible enforcement of rules and constraints, when one preferable option is chosen out of potentially possible variants.

The “institutional choice” concept practically merges with the concept of institutional innovation. After all, there is hardly at least one socio-economic problem that can be solved uniquely. Therefore, the introduction of new “rules of the game” always requires the pre-selection with regard to what exactly will be implemented out of the “menu” of new institutions [7].

The public choice theory indicates that all the actions undertaken by the state in the economy, are related to choosing one of the available alternatives. The most important is *the choice of the budget*. All sources of income are interchangeable. At the same time, all expense items compete with each other, as the increase under one item implies the decrease under another. Thus, it is necessary to decide where to take money from and what to spend it on [8].

It is important to precisely choose the **directions for monotown development**.

Ye.G. Animitsa, N.V. Sbrodova, A.S. Zvorigin highlight the following main directions of the monotown economic restructuring:

1. Small business development that turns into new centres of business activity and that has much greater development potential in the modern Russian conditions.

2. Arrangement of conditions for implementing active agricultural activity in one-company towns, which are located in favourable natural and climatic conditions.

3. Development of commuter trips of monotown residents to the nearby cities and the biggest cities.

4. Availability of temporary public works for the period until new jobs are created.

5. Use of economic opportunities with regard to labour markets and housing by the monotown population and relocation to another locality (motivated by market incentives), i.e. population shift.

6. Development of recreation and tourism areas in the monotown, with the active participation of small business.

7. Revival of Ural folk crafts in the monotown.

8. Other areas of monotown diversification, determined by their specialization and location [9].

The local authorities highlight the following priority directions of economic sectors development in the integrated investment plans of one-company towns of the Sverdlovsk Oblast.

Priority development directions of the industry:

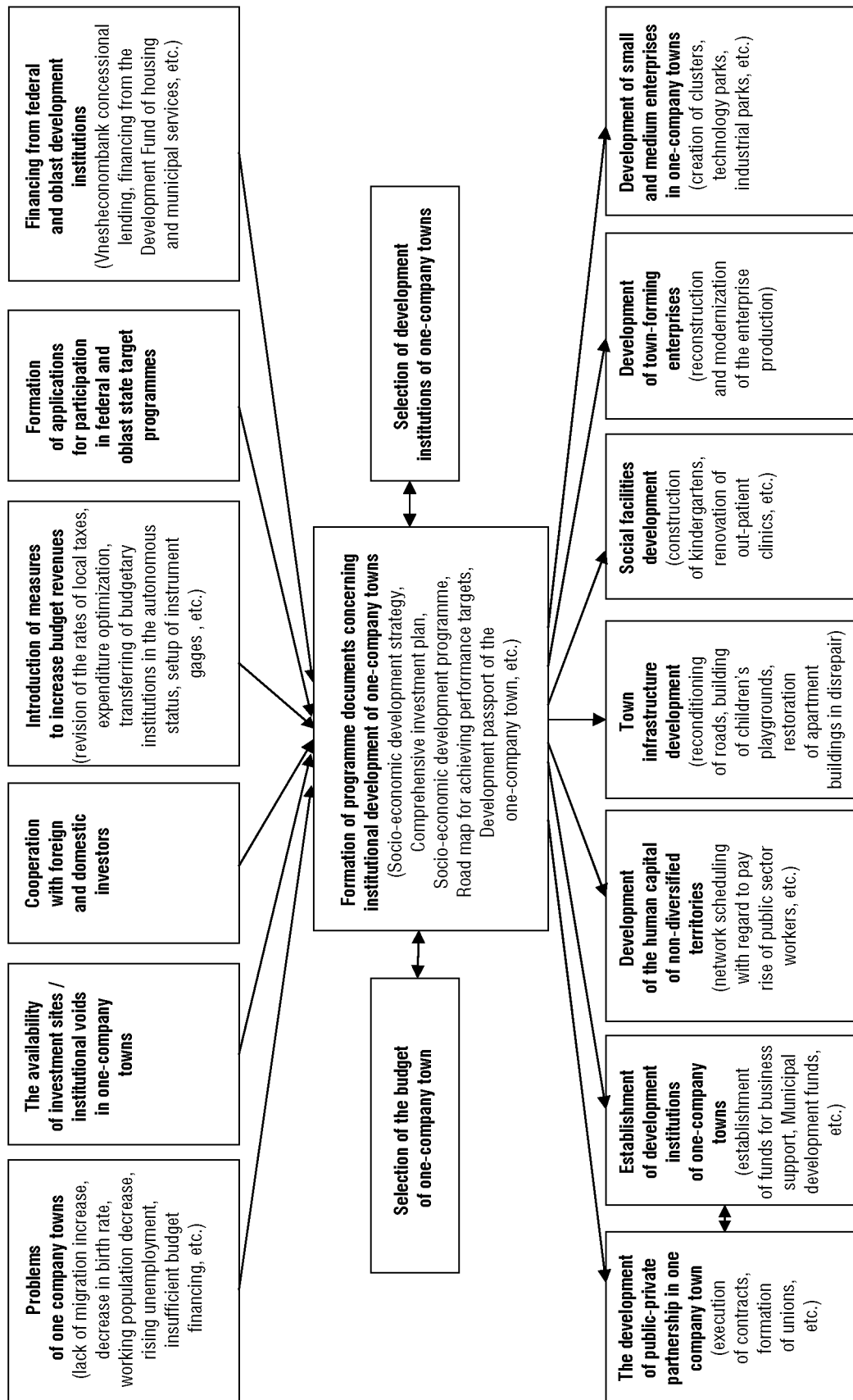
– innovation renovation of traditional industrial sectors (metallurgy, chemical industry and timber complex) in order to seal and expand the competitive advantages of towns and to form the basis for the modernization of industrial complex and economy as a whole;

– development of productions that are significant for sustainable economic development of the urban district;

– creation of new productions, permitting to change the structure of the industrial complex of the urban district;

– multiple rise in labor productivity;

Map-making of the institutional development of non-diversified territories



- greening of industrial production, introduction of environmentally appropriate (non-waste) technologies, use of modern high-performance water purification and air cleaning systems, materials recycling.

Priority development directions of urban transport infrastructure:

- trunk road network upgrading;
- improvement of pavement quality using innovation technologies in the
 - process of highway maintenance;
 - provision of parking lots to citizens;
 - use of railway infrastructure;
 - traffic safety provision.

Priority development directions of agriculture and processing industry:

- strengthening of material and technical base of agricultural producers;
- efficiency improvement of natural resources utilization, as well as the quality and competitiveness of products;
- improvement of financial sustainability of agricultural organizations;

- increase in the assignment level of production assets;

- introduction of new raw materials processing technologies;
- marketing development.

Priority development directions of the trade and public catering sector:

- formation of a favourable environment for investing private capital in the establishment of large (medium) retail and entertainment complexes, supermarkets in different areas of the urban district;
- compliance with modern requirements of the existing network of retail trade and public catering enterprises [10].

Thus, at present the issue concerning the institutional design of one-company towns, including advanced analysis of the voids, available and optional possibilities, the choice of the ways to spend budgetary and non-budgetary funds, selection and formation of the development institutions of non-diversified territories, becomes important and urgent.

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