

Methodological Framework for Assessing the Territories of Advanced Social and Economic Development Performance as a Tool for Russian Regions' Sustainable Growth

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Abstract—The authors consider the Territories of Advanced Social and Economic Development (TADs) as a tool for sustainable growth of Russian regions, identified key principles for the establishment and operation of TADs, and highlighted their features, the main differences from special economic zones (SEZ). As the audit of the Russian Accounts Chamber showed, in modern conditions the issues of organizing the assessment and monitoring of the effectiveness of the TADs creation and operation are of particular relevance. The article substantiates the need to transform the existing system of planning and monitoring the TADs socio - economic effectiveness and efficiency. The authors proposed a methodological framework for assessing the performance of TADs, including the calculation and analysis of the dynamics of indicators of economic and social efficiency. The author's method of the assessing the TADs performance is supplemented by monitoring changes in the TADs performance depending on changes in the result index and the dynamics of economic efficiency indicators. The methodology for evaluating the TADs management company effectiveness should be an integrated element of the methodology for assessing the performance of territories and represent an important stage in the continuous process of ensuring a high level of the TADs economic and social efficiency, allowing regions to increase production potential and, subsequently, show sustainable development results, smoothing the Russian territorial development disproportions.

Keywords— *Territory of Advanced Social and Economic Development; region; steady growth; asymmetry of socio-economic development; financial instruments*

I. INTRODUCTION

According to the Russian National Security Strategy, one of the main directions of its provision at the regional level (for

the medium term) is to create a mechanism for reducing the level of asymmetry in the region's socio-economic development through balanced territorial development of the country, eliminating infrastructure constraints, and improving the system of strategic and territorial planning, ensuring mutual consistency of industry and territorial development, improve the system of distribution of productive forces on the territory of the Russian Federation [1]. Territories of advanced social and economic development from the point of economics view can be considered as tools for smoothing the disproportions of territorial development due to the coherence of sectoral and territorial development (taking into account the specific features of the region).

In accordance with the Federal Law of December 29, 2014 № 473-FL «On the Territories of Advanced Social and Economic development of the Russian Federation» (hereinafter - the Federal Law № 473): «The Territory of Advanced Social and Economic development is an economic zone with preferential tax conditions, simplified administrative procedures and other privileges in Russia, created to attract investment, accelerate economic development and improve the lives of the population» [2].

Due to the phased implementation of the mechanism of sustainable economic development through TADs in the macroregion (the Far Eastern Federal District (FEFD)), mono-cities have gained considerable experience, which should avoid mistakes when scaling the use of this financial instrument throughout the Russian Federation, given the increasing interest and the need to create TADs.

II. MATERIALS AND METHODS (MODEL)

The economic literature widely presents incentive measures for sustainable growth through territorial development tools. Without addressing the issues of effectiveness quantitative assessment of formats for the accelerated development of territories, ways to improve it are proposed. So, G. Groot and others [3] emphasize that any of successful special economic zones should be located near a large agglomeration. Only in this case the necessary positive spatial effect will appear. A large number of workers will attract investors to create enterprises. A significant number of enterprises will stimulate the growth of the service sector and infrastructure, which will increase the attractiveness of the territory for the population and increase its inflow.

In addition, for the territory development to be successful, it is necessary to have a large amount of labor resources nearby and good transport accessibility and infrastructure. The theoretical substantiation of this statement is set forth in the work of S. Geng et al. [4], devoted to marginal cities («edge cities») - industrial parks, actively developing territories located outside the business part of the city. Chinese cities are investing in such territories in order to allow manufacturing enterprises to sit next to each other. The resulting local economic growth stimulates an increase in the construction of new housing and commercial real estate, opening retail stores next to the industrial park. Thus, the spatial effect of industrial parks is manifested.

Chinese researchers emphasize that for the territories successful functioning and its priority development it is necessary to have a critical mass of the population in close proximity or in excellent transport accessibility.

Empirical data [5] show that the degree of remoteness or isolation of a special zone plays a greater role than tax privileges offered to residents. If the zone is located at a great distance from the labor force, even the most favorable tax regime does not make it attractive enough for investors.

Other authors note the need for a cluster approach, i.e. each special territory should have its own specialization. So Y. Vertakova and I. Risin [6] note that the cluster principle should be the basis of special territories and the concept of the territory itself should be integrated into the regional development strategy.

Yu. Polzhentseva and M. Klevtsov [7] also note the importance of the cluster principle, and also highlight the most common measures of support for residents. In almost all countries, separate agencies are created for the organization of special zones, intellectual property protection is maintained, and targeted research grants are allocated. Tax incentives and protection of companies against market risks are much less commonly used. The authors emphasize the growing role of virtual platforms for interaction between residents, management companies and regulatory bodies.

In accordance with the recommendations of the Russian Government, the TADs efficiency will be assessed according to several criteria: the ratio of private and state investments, the price of a new workplace for the federal budget, the volume of value added per ruble invested by the state. In

addition, a minimum level of cumulative investment in the territory will be set.

At the same time, in January 2018, the Russian Accounts Chamber carried out an assessment of the TADs development effectiveness. As the analysis showed, there are problems both in the selection of territories for the TADs creation, and the assessment of infrastructure facilities built there, the adjustment of TADs development plans and, most importantly, in the methodology for assessing their effectiveness [8].

The legislation of the Russian Federation does not provide for the procedure and methodology for assessing the efficiency of TADs functioning, which does not allow objectively formulate target and planned parameters of strategic planning documents, as well as determine the required level of resource support from budgetary and extra budgetary sources for the implementation of measures for accelerated socio-economic development of the respective territories.

The Federal Law № 473-FL defines the legal regime of TADs, measures of state support and the procedure for carrying out activities in such territories. However, the specified Federal Law does not define measures of responsibility for violations of the procedure for carrying out activities in such territories, improper fulfillment or non-fulfillment of obligations under these agreements.

A number of experts compare TADs with SEZs, most of which were deemed unprofitable due to inconsistent actions between investors and state authorities, problems with governance, transparency and identification of funding sources, the zones were created artificially, without infrastructure development plans, without examining the needs of investors and assessing cost effectiveness of possible projects.

Thus, there are risks of the inefficient use of TADs as a tool for sustainable growth of Russian regions without a well-defined system of assessment and monitoring of the effectiveness of their creation and functioning.

III. RESULTS AND DISCUSSION

A. Legal Issues of Creation, Management and Development of Territories of Advanced Social and Economic Development

The principles of TADs creation and functioning differ by the application of an individual approach to the territory, taking into account its geopolitical location, production capacity, as well as other objective conditions and factors. The territories of advanced social and economic development are created by the decision of the Russian Government on the basis of the authorized federal body proposals. The list of TADs is not closed (unchanged). The government is authorized to add additional zones to it, adopting relevant regulations. That is, the territories of advanced social and economic development that are available in Russia are not listed in one document, but are indicated in separate regulatory

acts, as this status is assigned to one or another territorial space.

The first three years from the moment the law was earned, TADs was allowed to create within the boundaries of the Far Eastern Federal District and single-industry towns with a difficult economic situation. However, in the spring of 2018, this restriction was lifted, and the geography of TADs significantly expanded.

The territories of advanced development are created by the decision of the Russian Government for a period of 70 years, which can be extended. The decision to create a territory of advanced social and economic development must contain the following information:

- types of economic activity in which resident enterprises may apply a special tax regime;
- the minimum amount of investment by resident companies in the relevant type of activity;
- information on the application or non-use of the free customs zone;
- the geographical boundaries of TADs.

TADs residents are included in a special register and are endowed with special preferences. What exactly, the Federal Law № 473-FL on the territories of advanced social and economic development lists in Article 17. In particular, investors have the right to count on benefits:

- on payment of taxes - from full exemption to a reduced rate;
- on customs and administrative procedures;
- on rent;
- by priority accession to infrastructure facilities, etc.

The Federal Law № 473-FL on the territories of advanced social and economic development does not contain a clear list of benefits for residents. Their specific volume is prescribed in other federal and regional laws.

Restricting activities significantly limits potential external effects. A significant factor in the success of the territory of advanced social and economic development is a large number of service companies (catering establishments, personal services, etc.). Such organizations do not receive benefits, because cannot become residents due to inappropriate activity. Entrepreneurs have no incentive to create service companies in the service sector in the territory of advanced social and economic development. Moreover, they become relatively less attractive in the labor market than enterprises that receive benefits as residents.

To improve the efficiency of territories of advanced social and economic development, it is necessary to make changes to the procedure for obtaining residency, namely, to introduce a notification procedure. This will allow more enterprises to conduct their activities, make the infrastructure of TADs a better quality, and, consequently, increase their investment attractiveness.

Despite this, TAD has several advantages over SEZ. Firstly, a wider list of taxes and fees, for which reduced rates are offered (in particular, income tax). Secondly, the tax rates

are lower. Thirdly, the main difference: the territories of priority development provide the residents with infrastructure (tab. 1).

At the same time, there is an advantage in SEZ. It concerns the customs regime. In TADs, it applies only to a specific resident's section, with the obligation to account for the transported goods, create special points of entry and export of goods and equipment.

TABLE I. COMPARATIVE CHARACTERISTICS OF TAD AND SEZ

Feature	TAD	SEZ	General Legal Regime
Tax Advantages			
Income Tax	0% first 5 years	15,5-16%	20%
Property Tax	0% first 5 years	0%	2,2%
Land Tax	0% first 5 years	0%	1,5%
Transport Tax (rubles / hp)	-	0	10-150
Import and Export Duties	0%	0%	depends on the rate type
VAT	0%	-	0% for members of the Customs union (otherwise 10-18%)
VAT Refund Procedure	accelerated	-	general order
Insurance Premiums	7,6% first 10 years	14%	30%
Additional Benefits TADs	<ul style="list-style-type: none"> • Simplified State control. • Accelerated and lightweight administrative procedures. • Lack of quotas for foreign slave force. • Financial instruments to support the initiators of investment projects in the form of providing concessional loans or participation in the authorized capital (no more than 49%). 		

Source: compiled by the authors

The following key features of TADs can be identified: this territory is created for a period of up to 70 years; mining and processing of minerals is permitted on the territory of TADs; investment sites are industrial parks; the management company transferred the functions of the TADs regulator; the opportunity to attract qualified foreign personnel to work without quotas and other restrictions.

Thus, TADs, unlike the SEZs, is designed to meet the new realities of the Russian economy. The SEZs were created as a fairly rigid shell, where the type of activity and the volume of initial investments of the companies were strictly established. The first and main difference of TADs from SEZs is that the reverse order is provided in TADs - each territory is created to meet the needs of the main enterprise, increasing the coherence of the economic complex, consistency of sectoral and territorial development (taking into account the profile of the region).

B. Results of Evaluating the TADs Effectiveness in the Far Eastern Federal District

The priority development of Siberia and the Far East of the Russian Federation is defined in the Message of the Russian President to the Federal Assembly of the Russian Federation of December 12, 2013 as a national priority for the development of the country, including through the creation of special areas of advanced social and economic development with special conditions for the organization of non-oil production oriented including for export.

In accordance with the decisions of the Russian Government of March 1, 2018 TADs have been created, 330 agreements have been concluded with residents on the implementation of activities in TADs with announced private investment in the amount of 2,337 billion rubles and the creation of 56,800 workers places (table. 2).

TABLE II. TADs DYNAMICS IN THE TERRITORY OF THE FAR EASTERN FEDERAL DISTRICT

Year	Quantity of TADs, pcs.	Investment Volume, billion rubles	Number of Residents, pcs	Number of Jobs, pcs.
2015	9	187	21	7 666
2016	14	450	111	22 256
2017	18	2 175	204	39 772
2018	18	2 337	330	56 819

Source: data of JSC Corporation for the Development of the Far East [9].

Financial support at the expense of the Federal Budget for the creation of TADs is carried out within the framework of the state program of the Russian Federation «Social and Economic Development of the Far East and the Baikal Region», approved by Decree of the Russian Government dated April 15, 2014 № 308.

The Accounts Chamber of the Russian Federation attempted to assess the effectiveness of the TADs. In terms of costs, information was accumulated on the subsidies of the management company for financial support of costs related to the development of TADs infrastructure, the management company's activities, as well as lost budget revenues from federal, regional and local taxes and state extrabudgetary funds [8].

An audit of the implementation of measures for the creation and operation of TADs revealed that the amount of insurance premiums paid by TADs residents from newly created jobs does not cover the amount of shortfalls in state extrabudgetary funds due to the use of reduced insurance premiums for employees employed by TADs residents (the total number of employees increased during the year 13 times, reaching 6,615 people in 2016) [8].

Provided by agreements on the implementation of activities concluded between the management company and the resident of TADs, the measures of TADs residents liability for non-compliance with the terms of the agreement, in the opinion of the Russian Accounts Chamber, need additional

elaboration, including in order to ensure that residents fulfill their obligations and / or compensate the cost of creating the TADs infrastructure.

C. Methodology for Assessing the TADs Performance

The priority approach in the implementation of the evaluation of TADs performance should be the conviction that one should abandon the identification of the development of the territory with its economic development. The sustainability of regional development determines the ability of the region to maintain and develop the importance of the necessary parameters of the quality of life of the population with fluctuations in external and internal influences (political, socio-economic, technological, natural-climatic and other). The region cannot be considered sustainably developing only on the basis of increased economic indicators with low social indicators. Sustainable development should be aimed at achieving a high quality of life for the population with a positive dynamic of a set of indicators, which is the main goal of TADs creating.

As the analysis of the State program showed, indicators of Subprogram 1 do not quantitatively characterize the solution by 2025 of the task «Creating objects of transport, energy, utilities, engineering, social and other infrastructure necessary to ensure the functioning of territories of advanced social and economic development in the Far Eastern Federal District», which does not comply with the provisions of paragraph 11 of the procedure for developing, implementing and evaluating the effectiveness of State programs of the Russian Federation, approved on the order of the Russian Federation dated August 2, 2010 № 588, according to which the target indicators should quantify the progress of its implementation of the Government decision of the basic problems and the achievement of its objectives. Thus, the indicators of Subprogram 1 lack indicators to evaluate the performance of the creating infrastructure facilities task necessary to ensure the functioning of TADs, in terms of the number, types of objects created, as well as their technical and economic indicators, as well as the efficiency of using budgetary and extrabudgetary funds [8].

Moreover, TADs creation and operation on the territory of the FEFD are carried out in the absence of regulatory legal acts defining the requirements for the integrated development of the infrastructure of TADs, which does not allow an objective assessment of the impact of the respective territories on the social and economic development of the Russian regions.

The declared results of the activities of TADs distort the actual situation, since they are based on an incorrect system for estimating indicators of attracting investment, residents and jobs created. All published indicators are planned, calculated in accordance with agreements on the conduct of activities. Targets for actually attracted resources are not provided. This leads to an overestimation of reported indicators relative to real values.

In our opinion, it is advisable to include an analysis of the compliance of activities (TADs creation and operation,

achieved results, efficiency) into the goals in the TADs performance evaluation system, which presupposes establishing the relationship between the final results and the actions taken. There are three main levels of TADs performance evaluation: evaluation of the process of TADs creation and operation, evaluation of the outcome and evaluation of funding. The main characteristics of the TADs performance assessment levels are presented in Figure 1.

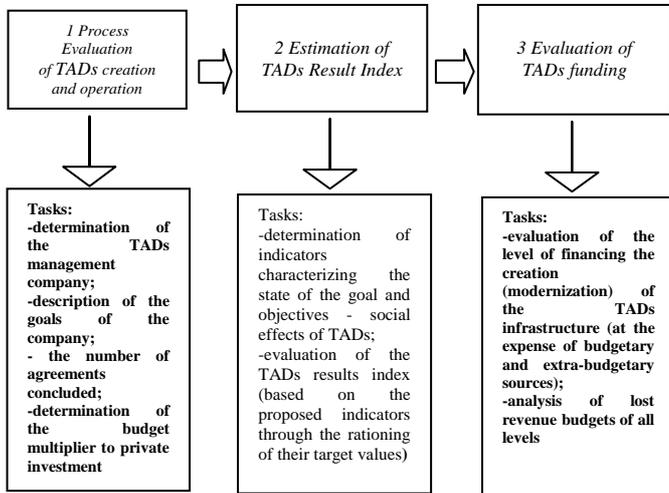


Fig. 1. Levels of TADs Performance Evaluation System.

At the second level of TADs performance assessment, after its goals and objectives have been defined, it is necessary to select indicators to measure the degree of goals / objectives achievement. In our opinion, it is necessary to include both indicators of direct results (characterizing the quantitative results of the fulfillment of their functions by the TADs management company) and indicators of socially significant results characterizing the qualitative results of the TADs functioning. Obviously, the choice will depend on the types of data available to the organization performing the assessment of the TADs impact, and on what indicators can be actually tracked with the available resources and capabilities. As a basis for result index calculating, a methodology for estimating the public services result index can be used [8].

D. Organization of Monitoring the TADs Effectiveness

Due to the fact that Federal Law № 473-FL, when TADs creating, does not provide requirements for conducting a preliminary assessment of proposals for TADs creating based on the needs of the Russian regions in the proposed economic activities, their ability to provide investors with adequate resources, criteria for their effectiveness, and the procedure for assessing risk factors, as well as to justifying the demand for services (products) as a result of the implementation of an investment project by a TADs resident, does not allow to count on the fact that established institutions of territorial development in the form of TADs can be guaranteed effective and sufficient for sustainable development.

In accordance with this, the proposed system for evaluating the TADs performance must be supplemented with

performance monitoring, suggesting the ratio of the result index characterizing the integral effect of the immediate and final results of TADs and the costs associated with its production. At the same time, such an expenditure of budgetary funds will be recognized as effective, whereby the result index will increase by a greater number of times (or by interest) than expenditures increase (including lost revenues). For clarity, we can distinguish qualitatively different options for changing the TADs efficiency (Fig. 2).

Dynamics of Costs and Performance Indicators for the Evaluation Period	Results Index Increase	Results Index Stabilization	Results Index Reducing
Cost Increase	1. Intensification Extensive Growth	2. Weakening of Extensive Growth	3. Intense Recession Increase
Cost Stabilization	4. Weakening of Intensive Growth	5. Inertia	6. Easing Down Recession
Cost Reduction	7. Increased Intensive Growth	8. Weakening Extensive Recession	9. Intensification Extensive Recession

Fig. 2. Options for Changing the TADs Efficiency.

The diagonal line shows a certain stabilization of the efficiency values of TADs, i.e. the change in costs corresponds to the same change in the results index. Sectors above the diagonal line (1, 2, 3, 5, and 6) are characterized by a decrease in the efficiency of TADs (a decrease in the result index with an increase in costs).

Thus, the proposed methodological recommendations for assessing the TADs effectiveness and efficiency are the basis for a unified formalized system for evaluating the effectiveness of TADs and a system for monitoring them in order to increase the responsibility of the regional executive authorities and the TADs managing company, and their residents in the effectiveness of expenses incurred.

IV. CONCLUSION

The territories of advanced social and economic development are one of the main measures for the development of the macro region. They inherited many of the special economic zones' features, but at the same time were cleared of a shortcomings number. At the same time, the analysis showed that during their creation the important achievements of world practice were not taken into account. So many areas of advanced development are created in remote sparsely populated areas, which cast doubt on the possibility of their successful functioning. The system of assessing the effectiveness of territories of advanced social and economic development also needs to be improved. At the moment, it is virtually absent. Published indicators are either formal or distort real data.

The proposed method for evaluating the change in results allows us to obtain a multilateral assessment of the TADs effectiveness through the use of information in the analysis of direct and final results, the TADs functioning, focusing on objective statistical data.

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