

Investment Approach to Developing the Strategy of Social and Economic Development of a Municipality*

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Abstract—The article focuses on a new approach to developing the strategy for socio-economic development of a municipality. The proposed approach is based on relevant theories and concepts and exercises the mechanisms and tools for planning and implementing strategies, different from those being applied within the existing approach. Municipal strategy is considered a document of public consent on achieving the goals of socio-economic development of the local community and a tool for implementing the strategy of regional socio-economic development. A package of investment projects is the main instrument for implementing the municipal strategy. The article provides the results of the practical approval of the investment approach to strategic planning in the municipalities of Krasnodar Krai.

Keywords—*development strategy; strategic planning; local economy; regional economy; investment project; mechanism of strategy implementation; strategic development model*

I. INTRODUCTION

The modern practice of municipal government more and more frequently resorts to the use of strategic approach. Municipalities develop strategies for socio-economic and spatial development of the territories, which is conditioned by a number of factors. Firstly, there is growing competition between territories for resources and for the customer, and it is necessary to have clear understanding of the competitive position of municipal economy, the possible risks and opportunities for development. Secondly, the requirements for the scope and quality of municipal services are increasing, which results in more complicated management mechanisms, moving beyond the administrative approach, the search for new resources and management mechanisms based on the ideas of local communities' synergy and participatory. Thirdly, the chronic lack of budget funding and the desire to advance in solving social problems makes the municipal entities reconsider development priorities and look for innovative development opportunities. Fourthly, the

municipal strategy is a tool for participation in implementing regional development strategy.

Russia has acquired extensive experience in strategic planning of socio-economic development of the regions and municipal entities. With the diversity of approaches to strategic planning in Russia, a common problem for most territorial strategies can be identified: the strategies are not implemented. To large extent, this is due to the absence of mechanisms for managing the strategy and the fact that strategies do not become "social contracts".

II. INTERNATIONAL EXPERIENCE AND GENERAL STRATEGIC PLANNING LOGIC

In recent decades, strategic planning, which has been adopted by municipal science from business planning, and by business planning from military science, is becoming increasingly popular. A strategy is a kind of motto for territory development, and motivation for local communities to act collaboratively.

There exist various approaches to the strategic planning of territorial development. In some cases, they complement each other, in others – contradict.

For example, within the problem-based approach the strategy is regarded as addressing the issues of local (or regional) community consistently. Meanwhile, an obstacle to moving towards the set goal and implementing the mission of the municipal entity is viewed as a problem.

The resource-based approach focuses not on the problems (they may not be expressed), but on current resources and the search for new opportunities for their effective use.

The variety of approaches to strategic planning is manifested in different interpretations of:

- the subject of planning (central government, local government, local community);

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- the object of management (economy, social sphere, municipal enterprises);
- the content of territory development (development as a process, as a method, as a program, as a movement) [1];
- the degree of decentralization of planning (“top-down” and “bottom-up”);
- the mechanisms and tools for planning and strategy implementation.

However, the general logic of strategic planning implies consequentially (sometimes simultaneously) completing the following stages:

- initiating strategic planning (understanding and justification of the need for development strategy);
- institutionalizing the process of strategic planning (creating organizational preconditions, legal and regulatory consolidation);
- creating the image of the desired future of the territory, values and mission of the strategy;
- analyzing the socio-economic situation, resources inventory, assessing the external and internal territory environment, its competitive advantages;
- decomposing strategic goals, setting development priorities, defining target indicators;
- identifying mechanisms and instruments for implementing the strategy;
- filling the strategy with concrete programs and projects.
- To exemplify, we provide the stages of strategic planning in the methodology of the Kuban school of local communities’ development [2]:
- pre-planning stage: creating organizational preconditions for planning (the main issue is how to work on the strategic plan); the main tasks: creating organizational preconditions, motivating the participants of strategic planning, reaching agreement on the procedure of work;
- the first planning stage: analyzing the situation (the main issue is where we are now); the main tasks: identifying current trends and the peculiarities of socio-economic development of the municipal entity; understanding the status of the local economy; evaluating the opportunities of economic development (the possible options); having the preliminary idea of the required resources;
- the second stage of planning: developing the strategy (the main issue is what we are aiming for); the main tasks: defining strategic goals; designing the development options; choosing development options; evaluating the possible risks and benefits from strategy implementation;

- the third stage of planning: determining ways to achieve strategic goals (the main issue is how to achieve what we want); the main tasks: reaching agreement on the overall structure of the plan; developing action plans (short-term, long-term for strategic projects); developing a communication plan; identifying and mobilizing resources; documenting and formally adopting a strategic plan.

The international experience has proved the strategic approach to territory management highly efficient. Having preserved the general logic of strategic planning, each country has introduced its own national characteristics.

Thus, the USA are characterized by a variety of approaches to planning, understanding strategy as a public contract, focusing on inter-municipal cooperation, university support for local communities’ development [1], while the EU countries are characterized by deep decentralization and implementation of “bottom-up” planning, spatial emphasis in planning, the focus on ecologizing, introducing small projects [3].

Asian experience in strategic planning is also of great interest. For instance, in the PRC, a centralized approach to planning (“top-down” planning) is being used, they carry out urbanization policy, resort to dynamic planning, and have the priority of economic objectives over the social ones [3].

The whole variety of the existing strategies can be reduced to four basic ones [4]:

- strategy for entrepreneurship development (of local economy);
- strategy for human capital development;
- strategy for improving the territory (physical space as a living and business area);
- strategy for the development of social interaction within the local community.

The Russian practice demonstrates a combination of different approaches. With a sufficiently high level of planning centralization in the Russian Federation, the Federal Law 172-FZ “On strategic planning in the Russian Federation” gives municipalities the right to set development goals and priorities independently. The Strategy of municipal entity development is regarded a document of public consent on achieving the objectives of socio-economic development of local community (employment, income, improvement) and a tool for implementing the Strategy of the socio-economic development of the region.

The analysis of regional and municipal strategies of socio-economic development allowed revealing the following typical problems [5]:

- strategic objectives have a declarative character;
- the sectoral approach is applied, rather than the strategic one;
- there is no description of implementation mechanisms;

- strategies have limited relation with operational planning documents;
- the mechanism for monitoring strategy implementation does not allow to respond quickly to the changing external and internal environment.

III. PRACTICE-ORIENTED APPROACHES: KRASNODAR KRAI EXPERIENCE

In Krasnodar Krai, the Strategy for the socio-economic development of the region up to the year 2030 was developed and adopted. The municipalities have a task of participating in Strategy implementation, including by means of municipal strategies development.

In order to solve the typical problems of the strategies of municipal entities development within the region, we developed the investment approach to strategic planning based on the synergistic synthesis of the following approaches and concepts:

- the process paradigm of G. Kleiner; [6]
- the concept of collaborative management (Gladyshev A., Gilot R., Mayer R., Voblenko S.); [7]
- the Kuban school of local communities' development (Yu.V. Filippov, T.T. Avdeeva, T.A. Myasnikova, K.V. Getmantsev); [1]
- the methodologies of strategizing territorial development (Myasnikova T.A., Filippov Yu.V., Treshevsky Yu.I.). [8]

Understanding current practices and problems of strategic planning in the Russian Federation and the analysis of international experience allowed us to formulate the basic principles of the investment approach to strategic territorial development planning:

- the subject of strategic planning are not only local self-government bodies, but also local communities;
- the strategy is considered a social contract;
- the strategy of municipal entity development is a tool for strengthening the competitive position of a municipal entity and a tool for strategy implementation in the region;
- in the foundation of goal-setting there is the synthesis of problem-based and resource-based approaches and focus on innovations;
- economy is a tool to achieve social goals (employment and income of the population; social security; area improvement and availability of social services);
- specific principles for choosing strategic priorities and projects include: demystification of economic growth, ecologization of local economy, variety and choice;

- the key instrument for strategy implementation are investment projects;
- innovative projects should provide a synergistic effect for the local economy.

The investment approach was practically approved when developing strategies for social and economic development of municipal entities of Krasnodar Krai: Bryukhovetsky district, Pavlovsky district, Krylovsky district, and Beloglinsky district.

In the course of strategy development, the following algorithm was implemented: institutionalization, strategic diagnostic of the municipal entity development, development of a strategic doctrine, determination of municipal policy directions for implementing the strategic doctrine, description of strategy implementation mechanisms (including the strategy management system and the list of local programs and investment projects).

In strategic diagnostic, a system of tools, including the analysis of the local economy sectoral dynamics, SWOT and SNW analysis, was used.

The analysis of the internal and external environment of municipal entities, the assessment of their resources and competitive advantages allowed developing strategic doctrines for each municipal entity.

In order to make up the strategic doctrine, two main models were applied: the "Planning Circle" and the "Strategic Development Model".

The idea of the "Wheel of Planning" model is that investment projects and municipal programs, as a tool for implementing the Strategy should correspond to one or several strategic objectives of the 2nd level and should not contradict other strategic objectives of the 2nd level and the values of the municipal entity.

The "Planning Circle" presupposes building up the following hierarchical chain of targets: values – mission (customer-oriented) – general strategic goal (identifies what needs to be done to accomplish the mission) – strategic objectives of the 2nd level (formulated with regard to most important subsystems of a municipality: economic, social, spatial) – functional goals — development priorities — municipal policy directions — implementation mechanisms — goals of investment projects / local programs.

When building a hierarchy of targets, the most significant principle is the principle of consistency.

The "Model of strategic development" implies a strategic design of the municipality of the future, based on breakthrough directions of development and defining flagship projects.

Thus, for the Bryukhovetsky district, a flagship project "New centres of agri-industrial production in the Bryukhovetsky district" was chosen, which includes [9]:

- three priority cluster activation programs;

- two programs for institutional conditions development;
- four complexes of municipal programs;
- three priority programs of institutional transformation;
- a project for the development of a social services complex;
- a project for preserving and attracting the district population.

A key element of the strategy is the development and implementation of the flagship project “New centers of agri-industrial production in the Bryukhovetsky district”. The flagship project is aimed at developing cooperation and integration between large, medium and small agricultural producers and processors of the Bryukhovetsky district, as well as ensuring the implementation of priority investment projects in order to create diversified agricultural production and modern processing of agricultural products in the Bryukhovetsky district. The ultimate goal of the project is a shift from the raw material component and increasing the share of products with a high level of processing.

As part of the flagship project, there should be active development of new areas of agri-industrial production complex activity, involving new business entities, and building complex horizontally-integrated production relations.

The tools for the flagship project are a group of subcluster implementation projects. In particular, it is proposed to create the conditions for the development of the following subclusters:

- agricultural product subcluster;
- subcluster: water and drinks;
- fruit and vegetable subcluster;
- agritourism subcluster.

The implementation and activation of the cluster envisages the implementation of a set of priority investment projects (presented in the roadmap for Strategy implementation), as well as the implementation of an institutional transformation program.

Moreover, within the strategic development model of the Bryukhovetsky district, it is planned to implement a project for developing a complex of social services. The project is aimed at solving current problems of the district in socio-cultural and domestic spheres and increasing the availability of social services for the population.

In particular, within the project it is planned to implement a set of investment projects, municipal programs for culture and leisure institutions development and municipal programs for territory improvement of the Bryukhovetsky district.

To implement the strategic doctrine, the strategies describe legal, financial and institutional mechanisms.

In order to implement the strategies, it is necessary to adopt a package of municipal documents, including:

- the Resolution of the Council of representatives on Strategy approval;
- the Resolution of the head of local administration on the annual Strategy implementation plan;
- the Plan of activities for implementing the strategy of socio-economic development of the municipal entity;
- the forecast of socio-economic development of the municipal entity in the medium or long term;
- the municipal entity budget forecast for the long term;
- local programs developed in accordance with the goals and objectives of the Strategy.

The financial mechanism involves attracting budgetary and extra funds for long-term targeted programs, including private investment resources; using tools of municipal-private partnership.

The organizational mechanism presupposes creating a strategy management system, including a system for monitoring the achievement of target indicators.

The proposed approach will contribute to improving the manageability of municipal strategies, and avoiding strategic planning errors, typical of Russian municipal entities.

IV. CONCLUSION

The article has analyzed the investment approach to developing a strategy for socio-economic development of a municipal entity. The application of the investment approach allows solving a range of critical methodological and practical tasks, which include:

- defining the tasks of strategic diagnostic of a municipality more precisely, due to clarifying the tools and determining the reference points of the analysis;
- linking the goals of strategic and operational management;
- attracting resources by mobilizing investment activity;
- expanding the economic foundation of a municipal entity;
- making the strategy “live”, manageable due to applying legal, organizational and financial mechanisms and tools.

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