

## MTSDT 2019

### Modern Tools for Sustainable Development of Territories. Special Topic: Project Management in the Regions of Russia

#### THE ROLE OF PROJECT MANAGEMENT IN THE DEVELOPMENT OF THE MUNICIPALITIES

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#### *Abstract*

The purpose of this study is to analyze the effectiveness of implementation of project management in municipalities. The scientific hypothesis of the research is that effective implementation of project management in municipalities increases the investment attractiveness of an economic entity. To confirm this hypothesis, the authors analyzed the actual problems related to the process of implementation of project management at the municipal level. The study revealed that the implementation of project management and realization of a number of projects increased the level of the social and economic development and investment attractiveness of the city. However, it was also revealed that today there are many problems that hinder social and economic development associated with the project management of the city. According to the results of the study, it was concluded that ineffective implementation of project management led to a decrease in consumer demand and incomes of the population of the municipality. In order to develop the project management, to create favorable conditions for social and economic activities, it is crucial to employ the effective tools for implementing project management in municipalities. Thus, the scientific novelty of the study is: the authors have studied the theoretical aspects of implementation of the project management; have considered and analyzed the problems related to project management at the municipal level; have put forward the ideas how to develop project management. It is recommended that the results of the work should be used by structural units of municipal authorities to increase the effectiveness of project management.

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**Keywords:** Investment projects, municipality, project management.



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## 1. Introduction

In the modern business conditions economists, lawyers, and many other specialists aspire to create an optimal system of local self-government. It should be noted that local administration, which is the executive and administrative body of the municipality, is responsible for the process of local self-government within the territory of the municipal unit. Additionally, it should ensure high living standards (Shirokov, 2014).

Implementation of project management is the most effective way to achieve these goals. Effective project management contributes to the development of the municipal unit, since the implementation of project management is aimed at creating comfortable conditions for social and economic development, stimulating investment activity and attracting potential investors. Effective management is crucial for the social and economic spheres. Also, project management should be aimed at solving the problems which arise when the strategy of the project implementation has to be changed under the current conditions. Project management is more flexible than traditional management, as it is mainly aimed at keeping stability and following the proposed plan regardless of external factors. Thus, project management is aimed at attracting investors (Safonova & Anchihrov, 2015).

To increase the investment attractiveness of the municipal unit by means of project management, it is vital to study various methods and tools applied in project management. This analysis is considered to be effective as it will make it possible (Savchenko, 2012):

- to assess the effectiveness of the investment and strategic planning related to the development of the municipal unit. Since project management is associated with the effectiveness of the project, it is necessary to provide data on profitability, risk, etc. to carry out investment activities;
- to assess the investment attractiveness of programs and directions of the development of the municipal unit in specific conditions;
- to provide an efficient procurement and supply procedure, as well as to ensure the process of financing and effective project implementation within the territory of the municipal unit;
- to effectively carry out the investment process, which means that certain changes should be introduced and the analysis of the process should be carried out. It also implies that inefficient projects should be closed.

## 2. Problem Statement

For any municipal unit, the main problem is to create the conditions for full employment of the able-bodied population, to develop social infrastructure, to ensure social justice, to increase the level of wages, and to rationally use the resources. Every resident must be provided with minimal social guarantees. Due to many circumstances, it is hard to apply new management approaches at the local level. Some development projects proposed by the local organizations cannot be implemented due to their specific structure; it causes certain problems hindering the management process.

It should be noted that in modern economic conditions of management at the municipal level, there are specific rules that regulate the process. In addition, there are more participants involved in the project

management, which means that there is a possibility to implement large projects. To maintain the growth of investment in fixed assets, additional measures should be taken to improve the investment climate of project management and to attract more investors (support from the federal center, a wide range of credit products in the banking sector, special contracts, business support) (Project management in cities: reasons for implementation and development trends, 2016).

Due to the limited sources of investment financing, it is important to analyze the effectiveness of measures taken to improve the business climate at the municipal level. Additionally, it is crucial to adjust the organizational and economic tools aimed for the implementation of project management. Finally, specific measures should be taken to reduce administrative barriers for entrepreneurs (Larina, 2008).

### **3. Research Questions**

Due to the increase in the number of municipalities, a reduction in taxes, fees and revenues of local budgets, it is important to efficiently use potential for development. In this regard, local governments need tools for monitoring the effectiveness of the management activities, which ensures the development of the municipality.

In recent years, the social and economic development of the region has been instable due to the economic and geopolitical situation. In 2018, the growth rate of investments in fixed assets was 85.4% (Socio-economic development of the Voronezh region, 2019), which means that the implementation of project management was not effective enough. Many authors argue that this is related to the following external and internal factors (Yakimova & Krasilnikov, 2015):

- a difficult economic situation,
- high lending rates,
- it takes a long period of time to consider the applications for loans for new investment projects,
- there are no mechanisms for stimulating project financing in the region.

These factors slow down the investment activity. Moreover, there was a decrease in production volumes in nine types of economic activity (Federal State Statistics Service, 2019).

Thus, it is crucial to implement the projects in this area and to make necessary changes in the current investment projects.

Therefore, in the modern economic conditions, special attention should be paid to management efficiency and effective project implementation.

### **4. Purpose of the Study**

The purpose of this study was to analyze the implementation of projects and to assess the effectiveness of project management in the municipality. The scientific hypothesis was that the effectiveness of the implementation of project management in municipalities increases the investment attractiveness of an economic entity.

Thus, in this article there are the results of the analysis of the problems related to the implementation of the project management at the municipal level. The object of the research was the municipality (a regional center of the Central Federal District).

Assessing the effectiveness of the implementation of project management, the authors argued that investments should be mainly made in the social and cultural spheres, construction industry, development of transport infrastructure and city road facilities.

## 5. Research Methods

The research methodology is based on general scientific research methods, such as abstraction, analysis, deduction, generalization, graphic and comparative methods and other methods the authors used to study the scientific literature and regulations.

Famous domestic and foreign researchers considered the problem of implementing project management in municipalities. This issue was touched upon in the works by many Russian authors: Savchenko (2012), Safonova and Anchirov (2015), Yakimova and Krasilnikov (2015), et al.

Studying the problem of project management in the municipality of the Central Federal District, the authors, first of all, examined the documents related to the process of project management implementation. To obtain the information, the authors examined the legislative acts, normative documents, research works carried out by domestic and foreign authors, training manuals and investment passports of the municipality.

To assess the effectiveness of the implementation of project management in the municipality of the Central Federal District, the authors analyzed the statistical data characterizing the level of development of the city, as well as the activities of the administration of the municipality. It should be noted that the administration of the municipality is the executive and administrative body which includes certain committees and departments (e.g., the municipal economy committee (which is the administration body), is formed by the head of the administration according to the decisions made by the City Duma).

## 6. Findings

Analyzing the effectiveness of the project management implementation, the authors have come to the following conclusions.

1. Thanks to project management, the volume of investments in fixed assets in large and medium-sized manufacturing enterprises increased in 2018 and it was more than 150% compared to the previous year. The volume of investments in fixed assets from all sources of financing was 106829.0 million rubles, or 85.4% compared to the previous year (a growth rate). In 2018, the region retained its leading position in terms of investment growth per capita - more than 102 thousand rubles. Within the period of January – June of 2017, the largest share of investments in fixed assets was made in the construction sector (except residential buildings), and it was 46.3% of the total volume of investments in fixed assets (it was higher by 8.4 percentage points compared to the period of January – June of 2016). As for the investments made in the construction of residential buildings, there was a decrease by 5.9 percentage points. Thus, the share of investments in fixed assets was 24.2%. The investments in machinery,

equipment, vehicles, production and household equipment decreased by 2.3 percentage points. In January – June of 2017 it was 28.0% (Investment portal of the Voronezh region, 2018).

2. There are a number of specific factors hindering project management implementation:

- it is impossible to enter the world market due to geopolitical tensions caused by the introduction of the system of sanctions and counter-sanctions;
- there is a lack of financial resources due to inflationary factors and currency fluctuations;
- the management apparatus of the municipality is not centralized. There is a lack of interaction between the regional and municipal management, as well as between structural units, business representatives, the population, etc.

Thus, the authors of the research have come to the conclusion that the project management implementation is not effective enough. There is a decrease in consumer demand and in personal income. Apart from that, the launch of the projects is put off and investments in large new projects are reduced due to a decline in the growth rate of retail trade turnover and chargeable services as well as due to a rise in the cost of credit resources and budget underfinancing.

In modern economic conditions of management at the municipal level, there are specific rules that regulate the process of project management implementation. In addition, there are more participants involved in the project management, which means that there is a possibility to implement large projects.

Capacity building activities are aimed at developing the region’s economy ensuring modernization of the technological base of production. To maintain the growth of investment in fixed assets, additional measures should be taken to improve the investment climate of project management and to attract more investors (support from the federal center, a wide range of credit products in the banking sector, special contracts, business support) (Yakimova & Krasilnikov, 2015).

## 7. Conclusion

In order to promote project management and to create favorable conditions for social and economic activities, it is necessary to take into account the way the region is developing and to identify the role of project management in the investment sphere (Table 01).

**Table 01.** Priority directions of the projects (Decree of the Government of the Russian Federation, 2016)

Priority Directions	Passports of priority projects
Education	1) “Creation of a modern educational environment for students” 2) “Modern digital educational environment in the Russian Federation”, 3) “Affordable supplementary education for children”
Mortgage and rental housing	Passport of the priority project “Mortgage and rental housing”
Housing and communal services and urban environment	Passport of the priority project “Creation of a comfortable urban environment” Passport of the priority project “Ensuring the quality of housing and communal services”
International export	“Systemic measures for the development of international cooperation and

cooperation	exports” “International cooperation and export in industry” “Export of agricultural products”
Small business and support for individual entrepreneurial initiative	Passport of the priority project “Small business and support of individual entrepreneurial initiative”
Reform of control and supervisory activities	Passport of the priority program “Reform of control and supervisory activities”
Safety and quality of the road	Passport of the priority project “Safe and high-quality roads”
Ecology	Passport of the priority project “Clean Country”

To implement the projects, it is vital to create favorable conditions. A number of various requirements should be met. Firstly, project activities need to be stimulated. Secondly, there should be necessary conditions for the development of the personnel: the employees need to share their experiences and ideas on the organization and development of the projects. Thirdly, it is necessary to get rid of the obstacles that significantly interfere with the implementation of the projects. And finally, it is advisable to consider the way of realization of the previous projects (Project management in cities: reasons for implementation and development trends, 2016).

Thus, in order to make the city more attractive to investors and, a number of specialists have developed a subprogram called “The ways to improve the investment climate”. Until 2020 it will be included in the approved municipal program “Economic Development and Innovative Economy”.

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