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

#### ROLE OF PROJECT MANAGEMENT IN ENSURING ECONOMIC SECURITY OF THE REGION

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#### *Abstract*

Changing geopolitical conditions, increasing competition, introduction of new technologies, digitalization of the economy affects not only the private sector of the economy but also the public administration system. This trend leads to the active use of new tools to improve the management of territorial development. Along with corporate managers, the notions of “performance management”, “management of results”, “key performance indicators”, etc. One of the target indicators of the regional authorities is the provision of the economic security of the region, territory, country. Given the external and internal threats to the economic security of the territory, the authorities are focusing on economic development issues, one of their fundamental elements is investment attractiveness. It is in the field of attracting investments that market mechanisms most actively work. The key tool for increasing the investment attractiveness of the region may be the introduction of project management in the public sector system. This study presents an analysis of the economic security indicators of the Astrakhan region. In the situation of low level of economic security in this region, increasing the investment attractiveness of the region could become a driver for improving the situation. This aspect of public sector activity implies the active operation of market mechanisms, in contrast, for example, to social and cultural policies. The use of project management tools by the regional authorities can be a “signal” of the willingness of regional authorities to work on the result.

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## 1. Introduction

Currently, one of the factors of sustainable development of the Russian Federation is the provision of economic security for the development of Russian regions (Polyanskaya & Naydanova, 2016). The economic security of the country and national security as a whole directly depend on the economic security of the regions.

The problem of economic security of territories is in the focus of international research from the middle of the 20th century, Russian scientists started studying this problem at the beginning of the 1990s, and today the problem has been studied in sufficient detail. A number of methodologies have been developed for assessing the economic security of the region (ESR). However, some methodological issues remain unresolved, for example, there is no generally accepted list of indicators of economic security of the regions.

The task of regional government authorities is to track changes in the region and timely adjust the ongoing socio-economic policy. If a factor, having a negative impact on socio-economic processes, is not considered on time or is not managed properly, it can pose a threat to the economic security of the region.

It is generally accepted that in a competitive environment, economic agents allocate resources and act more efficiently from the standpoint of social welfare (with the exception of the situation with market failures). Today, the experience of the largest and most effective private sector organizations is actively being adopted by government agencies around the world (USA, Japan, France, Great Britain, etc.) and in Russia.

International and Russian researchers worked on project management issues: Demirkesen and Ozorhon (2017), Mossalam (2018), Caramia (2019), Silvius (2017), Berggren (2019), Mazur, Shapiro, and Ol'derogge (2007) and others.

According to the “Decision of the meeting of the Council on the implementation of project management in federal executive bodies and public authorities of the constituent entities of the Russian Federation” dated December 4, 2013 No. 6-NP, the Belgorod, Yaroslavl, Penza, Tomsk regions and Permsky Kray were identified as pilot sites for the implementation of new management principles. One of the constituent entities of the Russian Federation, where the practice of project management has received the greatest development, is the Belgorod region. Currently, 30 regional authorities and 22 municipalities of the region are involved in project activities.

## 2. Problem Statement

Modern regional policy is formed taking into account the achievements of different branches of economic science. It is evident that the success of regional politics depends on many fundamental factors, among which are the skills and knowledge of the population; attitudes and values prevailing in regional society; rules; formal and informal institutions; the common vision of goals; creativity and leadership abilities. The state remains one of the most important players in the regional development, providing the supply of certain public goods, as well as goods and services fundamental for development. At the same time, the state authorities must be efficient, people-oriented, transparent, responsible and efficient, that is, ensure the economic security of the region and the country.

The development is based on natural, human, social and economic resources of the region. But it is worth mentioning that regions within national borders do not have the sovereignty of states that have powerful tools to guide development: property rights, budget and monetary policies, the ability to influence the distribution of resources in the economy through education, border regimes, R&D and taxation system. In addition, fiscal opportunities are limited within the regions, there is no independent monetary policy. Regional and city governments do not adopt fundamental laws defining property rights, tax policies and other basic institutional components.

It is believed that for the first time the main ideas of the “New State Management” were mentioned in the article by Hood (1991) “A Public Management for All Seasons?”

Some authors emphasize that a project is, first of all, a set of measures that are implemented to obtain a specific result (Tovb & Cipes, 2003). So, in the current conditions of limited regional resources (financial, human, time, etc.), as well as changes in the geopolitical situation (economic sanctions, volatile energy prices, etc.), the introduction of project management tools becomes a rational answer to threats of modern macro- and microenvironments.

According to various estimates, the use of project management tools can save 20-30% of time resources and about 15-20% of the financial resources spent on projects and programs (Yakimova, 2015).

Many authors emphasize that the goal of the project is to create a product with unique qualities (Tovb & Cipes, 2003; Gray, 2003). Under the diverse climatic, economic, environmental and other conditions in which the regions of the Russian Federation are located, the introduction of project management tools allows taking these unique features into account and “tailoring” management tools to the specifics of a particular region.

Project management is focused on keeping the expected level of quality of the activity result. This is probably due to the fact that the project in the private sector is used as a way to meet consumer expectations and is created for a specific need. Quality is an integral element of the project as a whole (Mazur, Shapiro, & Olderogge, 2007). This fact also reflects the relevance of using project management tools in the public sector. In the situation when an official, acting as an agent of a voter, spends not his/her financial resources (but taxpayers’ funds), tools are needed that will allow controlling not only the fact of production or service (which is done in the public sector), but also its quality (which in the conditions of traditional management is not always possible).

In particular, Magdanov (2010) notes that the budget data on their own (as well as indicators based on them) often give the observer an incorrect idea about the accordance of the goal and the result obtained. It could be due to the fact that, for example, regional socio-economic policy is carried out in regards to complex objects, heterogeneous layers of society. In addition, the effect of the influence of instruments of socio-economic policy (tax benefits, subsidies, etc.) as a rule does not become apparent immediately but rather in the long run. Therefore, one of the problems of applying the program-targeted approach in public administration is the choice of indicators and criteria for evaluating its effectiveness.

### **3. Research Questions**

This article suggests that project management can help improve the region’s economic security in terms of its investment attractiveness component.

#### 4. Purpose of the Study

The purpose of the study is to assess the overall level of economic security of the Astrakhan region and the rationale for the use of project management tools to increase the level of investment attractiveness of the region.

#### 5. Research Methods

The economic security parameters of the country and regions are determined by the dynamics of absolute and relative indicators that characterize changes in the socio-demographic and economic situation (Table 01).

**Table 01.** Indicators of socio-economic security of the Astrakhan region

Indicator	2014	2015	2016	2017
GRP physical volume index in % to the previous year	100.5	99.1	102.8	112.3
Index of physical volume of investments in fixed assets as % of the previous year	95.3	96.8	104.3	122.1
Deficit (-) / budget surplus (+) in % of GRP	-9.2	-8.9	-9.4	+0.45
The share of the population with a cash income below the subsistence level in % of the total population	12.0	14.1	16,2	16.0
Unemployment rate, %	7.5	7.5	7.0	7.1
Percentage of employed population older than working age, %	9.0	9.4	9.4	10.5
Vitality Index	1.179	1.183	1.164	1.056
Total birth rate	1.9	1.9	1.9	1.9

Taking into account the threshold values of the indicators of economic security in the region (Makhanko, Nazarenko, and Chichkaneva, 2017), according to the data presented in Table 01, one can assert that most of the indicators of economic security for a long period are low, in some cases approaching critical values.

For example, for the indicator “Budget deficit (-) / surplus (+) in % of GRP”, Makhanko et al. set a threshold value of 0-5%, emphasizing that if the indicator falls in the range of 5-10%, it characterizes the level of economic security of the region as “low”, a deficit of more than 10% is “critical” (Makhanko, Nazarenko, and Chichkaneva, 2017). With the exception of 2017, the budget deficit of the Astrakhan region was approximately 9 % of the GRP.

The indicator “The share of the population with a cash income” below the subsistence level in % of the total population” is in the critical zone throughout the entire study period (the level below 7% is considered optimal).

“The share of employed people older than working age” in the region tends to increase (less than 10% is called the optimal level), which also characterizes the level of economic security of the region as decreasing.

Among the considered indicators, only the “vitality index” and “unemployment rate” have values close to optimal (more than 1% and less than 7%, respectively), but they also balance on the verge of switching to a “low level”.

Nevertheless, it is worth noting a positive trend in the indicator “Index of physical volume of investments in fixed assets as% of the previous year” (optimal level is more than 100%), which might be due to the revival of the region’s economy, as well as due to the region’s participation in National Priority Projects .

Thus, we can say that the economic security of the Astrakhan region is low, i.e. it is characterized by a state in which threats to economic security are of particular (and even critical) significance for the further development of the economy and social sphere, it must be taken into account in the process of governing the region.

At the same time, the index of physical volume of investments in fixed assets shows a positive dynamics. According to economic theory, investment in fixed assets is one of the conditions of economic growth (Solow, 1956).

The simplest and most obvious solution in this case would be to invest in the region’s infrastructure at the expense of state finances (from regional and federal budgets). However, from the point of view of economic theory, an increase in the share of investments by the state can “squeeze” private sector investments out of the economy. Therefore, to reduce the crowding out effect, it probably makes sense to “combine” the two approaches. The state (represented by regional authorities) can act as a “co-investor” in individual projects, giving the opportunity to the private sector to participate in public investment (under certain conditions), as well as showing to market agents the willingness to “play” according to market rules, the willingness to perceive and respond to changes in market environments (Hart, Shleifer, & Vishny, 1997).

Against the general background of geopolitical instability and the active use of sanctions, it is precisely the increase in investment attractiveness that can become a “locomotive” for enhancing the economic security of the region.

As a positive signal for economic agents, the region can actively participate in national priority projects and introduce project management tools.

However, in the process of implementing project management tools, the region can encounter a number of difficulties, in particular, if executives and project participants lack the necessary competences in the field of project management (Dixit, 2002).

It should be noted that, since the activities of the public sector are most often associated with the production of public goods with the internalization of external effects, smoothing the effects of asymmetric information, as well as the regulation of other “market failures”, the use of management and quality assessment tools actively applied by successful campaigns in market conditions might be difficult. In many cases, the effectiveness of government projects is associated with indicators whose attainability is difficult to assess or the assessment of which is very subjective (improving living standards, literacy, health care effectiveness, etc.). Sometimes it can be difficult to appoint people responsible for achieving individual results (for example, when the solution to a problem is at the junction of the competencies of different ministries or departments).

Nevertheless, it is precisely in the sphere of increasing investment attractiveness that market mechanisms most actively manifest themselves (the response of economic agents to incentives, the

assessment of risks and the level of project profitability in the long term, etc.). Therefore, it is here that the use of project management tools is possible.

## 6. Findings

The use of project management in the public sector involves the management of results, which, in turn, has a number of advantages, as the assessment of effectiveness:

- enhances transparency and serves as an incentive for the use of innovative methods;
- contributes to solving problems and prevents bureaucracy;
- improves the quality of strategy development and decision making.

However, the idea that government agencies produce measurable products is far from being clear. It makes sense to demonstrate the arguments of opponents of management by results not with the aim of proving the fundamental impossibility of managing by results, but in order to demonstrate the weaknesses of the simplified application of effectiveness assessment:

- authorities do not produce products, but fulfill a number of obligations;
- products, as the results of the organization's activities, are not always amenable to unambiguous assessment if they correspond to different - often conflicting value attitudes;
- a number of government organizations are largely process-oriented;
- the product is produced jointly with other institutions (a state organization is not an independent producer);
- products of government organizations are interdependent;
- causal relationships are unknown, non-obvious or ambiguous;
- performance evaluation does not give an objective idea of the quality of work;
- results can be interpreted differently depending on the quality of work;
- the external environment is dynamic, not static.

The specifics of state institutions noted above nevertheless do not give grounds for concluding that it is fundamentally impossible to measure the quality of their activities. There are areas in which it is possible to develop systems for measuring the quality of work of state organizations.

A study of indicators of economic security in the Astrakhan region revealed that the Index of physical volume of investments in fixed assets shows a positive trend. According to economic theory (Solow, 1956), investment in fixed assets is one of the conditions under which economic growth can exist. Against the general background, it is precisely the increase in investment attractiveness that can become a "locomotive" for improving the economic security of the region. Performance evaluation procedures can improve the relationship between the decision-making system and putting these decisions into practice.

## 7. Conclusion

To increase the economic security of the Astrakhan region, it is advisable to more actively build up investment potential. To achieve this, project management tools should be applied that will allow the formation of economic conditions for stable effective interaction between public and private sector agents. The readiness of state management structures to implement project management tools acts as a positive “signal” for the regional and federal business community to invest in the territory.

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