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

# SPATIAL DEVELOPMENT: INTER-REGIONAL PROJECTS WITH THE PARTICIPATION OF RURAL TERRITORIES

A. L. Popova (a), A. S. Zaretskaya (b)\*, K. V. Zhukov (c) \*Corresponding author

- (a) Saint-Petersburg State Agrarian University, Peterburgskoe shosse, 2, lit. A, Pushkin, Sankt-Peterburg, Russia,
  (b) Yaroslav-the-Wise Novgorod State University, ul. B. St. Petersburgskaya, 41, Veliky Novgorod, Russia,
  Anastasiya.Zaretskaya@novsu.ru
  - (c) Yaroslav-the-Wise Novgorod State University, ul. B. St. Petersburgskaya, 41, Veliky Novgorod, Russia, Konstantin.V.Zhukov@novsu.ru

#### Abstract

The task of ensuring sustainable socio-economic development of rural areas is considered one of the most difficult. It is necessary to implement a set of measures aimed either at enhancing and using the territory's own potential intensively, or at including rural areas in the integrated system of poles of economic growth as a connecting space. The authors analyzed the basic concepts of spatial development that underlie the spatial development strategy of the Russian Federation. It was found that the problems of the low level of socio-economic development of rural territories are systemic in nature, and the concept of market space arrangement, which forms the basis of this strategy, does not involve the solution of most of them. In addition, the named concept assumes the inclusion of the latter in the urban agglomeration as the main option for the inter-regional interaction of urbanized and non-urbanized territories. An alternative option for interregional cooperation may be the construction of joint production clusters in regions with low and medium levels of urbanization. The effectiveness of such projects can be assessed by a change in the aggregate factor productivity of the participating regions, as well as by the dynamics of the main indicators of the socio-economic development of rural areas and a comparison of integrated development indicators for different regions. When forming interregional clusters, it is important to consider, first of all, options for creating new production structures, for additional effect of the development of the internal production potential of the territories.

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**Keywords:** Interregional interaction, project, regional integration, rural areas, spatial development strategy of the Russian Federation.

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## 1. Introduction

The socio-economic situation prevailing in the rural territories of the Russian Federation, and, most importantly, the trends of its development observed over the past decade, cause serious concern not only for specialists, but also for the public. The standard of living in rural areas is lower than in cities, which is associated with a lower total average monthly income per household member in the village (about 60% of the average income in the city), and the fact that the share of households with per capita cash incomes is lower than cost of living in rural areas by 3-4 times more than in cities (Fikhtner & Shvedina, 2019).

Also, there is a higher unemployment rate, especially among young people in rural areas. This is because the majority of rural residents consider employment in agricultural organizations as the main form of employment, the number of which is relatively small and continues to decline.

In rural areas, the process of curtailing the network of social infrastructure facilities continues, especially in the rural area. All this leads to the migration of young rural people to cities. Life expectancy at birth in 2017 in the city made 73.16 years, in the countryside – 71.38 years, i.e. 1.78 years less. Since 2015, the birth rate in rural areas began to yield to urban.

Demographic problems, the shortage of high-quality labor resources and the lack of active economic activity in rural areas lead to the degradation of their production potential, which, in turn, will only further increase the imbalances in the socio-economic development of individual territories of Russia.

#### 2. Problem Statement

In the case of a federal state with a large area, such as the Russian Federation, imbalances in the development of socio-economic systems are manifested not only in the discriminatory distribution of income between the sectors of social production, but also in the uneven development of territories. The problems of rural development are multidimensional and it is not enough to carry out local managerial influences on individual elements of the problem field for their solution; it is necessary to change the ideology of development of Russian society. In particular, we are talking about changing the concept of interaction between the regions of the Russian Federation in solving the problems of socio-economic development of territories.

# 3. Research Questions

Spatial development of the territory is a long-term process and any management decisions aimed at regulating its parameters should be strategic in nature. Meanwhile, the concepts of development of individual regions, territories and the state as a whole, often even if they do not contradict each other in defining problems, offer incompatible tools for solving them. Therefore, it is important to establish: to what extent the concepts underlying the strategies currently being developed for spatial, regional and socio-economic development of the Russian Federation are consistent with each other in determining the goals and nature of rural development and if is it possible to form effective mechanisms for solving rural

problems within these concepts. In particular, interregional projects for rural development can become such a mechanism.

# 4. Purpose of the Study

The purpose of this study is to assess existing concepts of regional development in terms of the feasibility of implementing effective interregional projects for sustainable development of rural areas.

## 5. Research Methods

In the Concept of the Spatial Development Strategy of the Russian Federation developed in 2016 for the period up to 2030, there were 3 main approaches to spatial development: market organization of space, state retention (protection) of space and a conservative approach, implemented over the past decades. Obviously, maintaining a conservative approach to spatial development does not meet the interests of a significant part of the citizens of Russia, as it leads to further differentiation of territories and population groups in terms of income and quality of life. The market organization of space is based on the concept of polarized spatial development (controlled compression), while state retention of space is based on the concept of endogenous economic growth, which, according to Kurushina and Petrov (2018), does not exclude the sharing of these approaches in solving spatial development problems. Interestingly, these authors suggest the predominant use of a uniformly hierarchical model characteristic of a conservative approach for the development of rural territories, thereby indirectly recognizing the uncompetitiveness of rural settlements relative to urban ones and their inability to mobilize internal development resources, including due to the lack of the above mentioned.

It should be noted that initially in the works of Perroux (1950) and Boudeville (1966) the great competitiveness of individual regions was explained by the uneven distribution of economic resources and the presence in regional economies propulsion industries (Perroux, 1950) considering the concept of growth poles, on which the idea of the development of territories through their competition is based. Only the concentration of propulsive industries in the region creates the potential for self-development, sufficient for the autonomous solution of socio-economic problems existing on its territory (Boudeville, 1966).

The concept of endogenous economic growth is based on the theory of Knight (1944) about the possibility of ensuring unlimited economic growth through investment in the development of a resource, which is fundamental to the current economic system. Accordingly, in the context of the knowledge economy, economic growth is possible due to investments in knowledge and human capital, and its pace depends on a complex of infrastructural and institutional factors, primarily of an administrative nature.

The possibility of self-development of territories is determined by the degree of concentration of human capital and the greatest positive effect is achieved under conditions of agglomeration with endogenous economic growth.

Thus, both concepts considered, both growth poles and endogenous economic growth, suggest that self-development of the territory is possible only in conditions of high concentration of human resources and capital, that is, in large agglomerations. In these concepts, the rural territories are given the role of a

space between developing agglomerations, used to accommodate the infrastructure, primarily transport, as well as serving as a source of resources for agglomerations and, in turn, gaining access to social benefits created in large cities.

The Strategy for Spatial Development of the Russian Federation for the period until 2025, approved by the order of the Government of the Russian Federation dated February 13, 2019 No. 207-r, was developed in accordance with the concept of market organization of space and suggests developing the transport infrastructure necessary for the free movement of resources to the poles growth as priority measures. For rural areas, the Strategy for Spatial Development of the Russian Federation for the period until 2025 provides for the following main areas of development:

- construction of housing and communal infrastructure in rural areas;
- formation of inter-municipal service centers that provide various services to both the public and entrepreneurs;
- construction, repair and maintenance of the road network, development of public transport;
- increasing the competitiveness of promising agricultural centers;
- diversification of employment of the rural population;
- restoration of renewable natural resources of rural areas:
- preservation of natural and cultural heritage;
- development of the recreational function of rural areas.

In addition, the Strategy provides for the optimization of the placement of institutions of the social sphere of the Russian Federation, as a result of which, health, culture and social services will be provided in mobile and remote form for settlements with a population of less than 100 people, as well as in areas with a low population density.

The concept of a market organization of space is interesting as it presupposes active economic integration of growth poles and territories adjacent to them (creation of agglomerations). Let us consider the possibility of using this provision as the basis of the rural development mechanism.

The modern theory of regional integration considers the agglomeration effect as a key, complementing it with the neighborhood effect (Suslov, Ershov, & Ibragimov, 2016) and such factors as: the level of economic development of participants, the structure of the economic space, the duration of integration ties and the number of participants (Nordhaus, 2015).

Methods of economic and mathematical modeling are traditionally used to assess the quantitatively measured results of interregional integration. So, Computable General Equilibrium (CGE) models, new quantitative trading models (NQTM) and inter-regional input-output models are used to assess the expected results (Suslov, Ibragimov, & Melnikova, 2018). The feasibility of using a particular model to evaluate the results of a particular project is determined, first of all, by the availability of data necessary for modeling a real socio-economic system. Unfortunately, the peculiarity of the statistical monitoring system at the regional level of the Russian Federation does not allow the efficient use of CGE and NQTM models; moreover, these models are very cumbersome and difficult to build, so preference is given to input-output models.

The concept of the aggregate factor productivity of the region is of particular interest in assessing the effectiveness of inter-regional rural development projects. This concept is related to the Solow-Swan theory of economic growth (Solow, 1956; Swan, 1956) and is intended to explain changes in the parameters of economic growth that are not correlated with physical capital and labor. It is believed that after 1991, economic growth in Russia is determined precisely by aggregate factor productivity, and not by capital accumulation, as was the case in the USSR (Voskoboinikov, 2003).

The most significant factors determining the total factor productivity, according to Myasnikov (2018) include: the share of extractive industries in the structure of the GRP, the density of employment, the classification of the capital of the region as large cities and the volume of investment per employee, the density of paved roads and the degree of urbanization. The significance of the influence of these factors on economic growth indicators does not exclude the possibility of increasing the aggregate factor productivity of rural areas as a result of interregional integration by strengthening the influence of other factors, for example, such as environmental well-being, low crime rates, preferential tax treatment, etc.

The methodology for constructing tables of indicators of socio-economic development and integrated development indices of the territory can also be used to evaluate the results of rural development projects. This class of techniques has been developing intensively recently, especially in order to conduct a comparative analysis of the social sphere of various countries. A common feature of the tables of socio-economic indicators and integrated indices is their lack of versatility, since the monitored indicators may have different significance for different territories (an example is the level of per capita income, which is considered by most methods as the main indicator of the level of development of the territory). In addition, the construction of indicator tables and integrated indexes to assess the level of development of the territory involves the use of a large number of indicators, tracked over significant periods of time. So, the methodology for calculating the index of well-being of an individual and territory of residence developed by Kuklin and Korobkov (2018) implies obtaining an assessment of the situation in the region based on 94 statistical indicators, combined into 8 modules, each of which describes a certain aspect of the region's well-being (infrastructure, economic, political, vital, etc.).

## 6. Findings

The concepts of territorial development that underlie the state spatial development strategy of the Russian Federation consider rural areas as a connecting element in the system of growth poles, which are competitive urbanized agglomerations that concentrate economic resources.

Today, insufficient public attention to the socio-economic processes taking place in rural areas has led to the development of a number of systemic problems, such as:

• lack of an integrated approach to rural development management at both the federal and regional levels. The "rural" line is usually absent in government programs for the development of social and infrastructural industries. The unit costs for the provision of services in the field of education, healthcare, and culture in rural areas are higher than in cities due to the lower population density, therefore social departments save on rural expenses. A number of state programs contain measures for the development of rural areas, but they are not properly

coordinated among themselves. The Ministry of Agriculture of Russia does not have the authority to coordinate the activities of other ministries and departments in rural areas. The Government Commission on Agriculture and Sustainable Development of Rural Areas does not include representatives of the Ministry of Culture of Russia, the Ministry of Sports of Russia, the Ministry of Construction of Russia, the Ministry of Communications and the Ministry of Energy of Russia. At the same time, the activity of these ministries is of great importance for rural areas, but at the same time they save on "rural" costs when implementing sectoral programs;

- imperfection of the regulatory framework of rural development. There is no federal law that would establish the legal basis for the development and implementation of a comprehensive rural development policy. There are no indicators characterizing the socio-economic development of rural areas in assessing the performance of executive authorities of the constituent entities of the Russian Federation;
- rural population, including entrepreneurs, often do not have access to the necessary economic resources due to the lack or poor quality of market and engineering infrastructure;
- instability and inadequate level of financing of measures for sustainable development of rural territories within the framework of the State Program for the Development of Agriculture. According to prevailing international practice, approximately 20% of the total funding for such programs goes to activities for the development of territories. Funds are mainly spent on supporting large producers of agricultural products and developing agricultural production in the regions most favorable for this in terms of the climatic conditions in the Russian Federation; only 5-8% of the total budget of the State Program for the Development of Agriculture is allocated for the development of territories;
- weak interest in the development of social and engineering infrastructure in rural areas of agricultural organizations and other business entities in rural areas;
- chronic deficit of rural municipal budgets;
- poor development of non-agricultural activities in rural areas, which leads to the narrowness of the scope of labor in rural areas.

Factors of intra- and interregional interaction in should play the key role in creating conditions for economic growth and socio-economic development of territories in this situation.

The most feasible option in modern conditions of interregional interaction is the creation of production clusters oriented towards the systemic development of the regional economy. With regard to rural development, interregional production clusters can contribute to the following tasks:

- optimization of the structure of agribusiness sectors;
- development of agricultural potential and its intensive use; development of agricultural education and science in accordance with the requirements of modern production;
- creating conditions for improving the quality of life of rural residents;
- support for the creation and implementation of modern technologies for use in rural areas.

The main reason for the limited use of production clusters as a mechanism of inter-regional interaction is that the formation of clusters in the Russian Federation is carried out mainly on the basis of previously existing territorial production complexes and is reduced to the combination of actually existing conglomerates and, also, operates established reproduction chains with well-known gross value added multipliers (Kolmakov, Polyakova, Karpova, & Golovin, 2019). Examples of such clusters in the agroindustrial complex are production chains formed in the last century: crop production – feed production – livestock production – processing of livestock products, often combining production in different, but usually neighboring regions.

The organizational and legal mechanism for the implementation of interregional projects for the development of rural territories, including those implemented through the creation of production clusters, may be public-private partnerships (PPPs), but the interpretation of PPPs enshrined in Russian law hinders the effective interaction of the state and private partners in this case (Kolmakov & Simarova, 2014, p. 49).

#### 7. Conclusion

Until recently, the development of rural territories was not considered as an independent task in the management of socio-economic systems at the macro level. Moreover, at present, rural territories are not allocated as a separate management object and their management functions are dispersed between different entities. As a result, measures aimed at solving the problems existing in rural areas and creating conditions for sustainable development of rural territories are implemented within the framework of many state programs coordinated by various executive authorities, which leads to the loss of the effect of systemic impact on the management object.

Studying the problems of rural areas, it is important to differentiate their composition and severity depending on the main factors affecting. At a minimum, it is necessary to distinguish between changes caused by the general development of civilization and problems arising from artificially created imbalances in socio-economic systems. Thus, the reduction in the share of workers in agricultural production can be attributed to natural changes caused by the development of technology and the transition to a new type of social production. Changes in the parameters of demographic processes can also be considered natural, explained by the same technological development of mankind, which led to a sharp increase in life expectancy and the formation in some areas of the previously never observed age structure of the population. But the problem of rural poverty should be attributed to the artificially created ones, since in this case we are talking about the nonequivalent distribution of income between sectors and sub-sectors of production, indicating the imperfection of the mechanisms used to distribute the social product. The problem of "rural poverty" is inherently key in nature, since it is connected with all other social and economic problems of the Russian village, such as: insufficient investment in agriculture, low incomes of the rural population, insufficient social and engineering infrastructure for rural areas, the rapid degradation of the resource potential of the village, etc.

It is advisable for rural territories to be given the status of a unified object of state policy and management by concentrating federal support resources in the rural development agency, which is advisable to create either as a departmental federal executive body or under the Ministry of Agriculture of the Russian Federation.

The concepts of spatial development discussed above should not be applied in isolation and the goals and objectives, methods of implementing state decisions adopted on their basis cannot compete or intersect. Ensuring a productive mutual complement of these concepts will require the ongoing work of state authorities, experts, representatives of entrepreneurship and the social sphere in the countryside. The development and implementation of interregional projects that implement the state strategy of spatial development is the basis for the formation of a solid legal framework for the socio-economic development of rural areas. But it is important to understand that the concept of territorial development underlying the strategy does not imply maintaining the village in the familiar status of one of the main elements of the system of social production. Rural territories are considered as a source of resources for cities: human, recreational, land, and most projects of interregional cooperation between urbanized and rural territories are developed on the basis of this idea. Therefore, it is important to develop projects for the interaction of weakly and medium-urban areas aimed at the distribution of procedures for solving development problems that require significant intellectual and technological resources between the project participating regions.

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