

UDC 352(470.20), LBC 65042
© Didyk V.V., Ryabova L.A.

Single-industry towns of the Russian Arctic: development strategy on the case study of the cities/towns in the Murmansk Oblast*



**Vladimir Vsevolodovich
DIDYK**

Ph.D. in Economics, Associate Professor, Deputy Director for Science, Head of the Sector, Federal State-Financed Scientific Institution G.P. Luzin Institute of Economic Problems of Kola Scientific Centre of RAS (24A, Fersman Street, Apatity, 184209, Russia, didyk@iep.kolasc.net.ru)



**Larisa Aleksandrovna
RYABOVA**

Ph.D. in Economics, Associate Professor, Head of the Department, Federal State-Financed Scientific Institution G.P. Luzin Institute of Economic Problems of Kola Scientific Centre of RAS (24A, Fersman Street, Apatity, 184209, Russia, larissar@iep.kolasc.net.ru)

Abstract. The article is devoted to the problems of strategic management of single-industry towns' development in the Russian Arctic. It presents brief characteristics of the government policies in relation to single-industry towns of the Russian Federation as a whole, and, particularly, of its Arctic zone. On the example of single-industry towns of the Murmansk Oblast it studies strategies of their development, typical problems to shape and implement strategic development plans.

Key words: single-industry towns, the Russian Arctic, development problems, city-forming enterprises, strategic planning, comprehensive investment plans.

* The study was conducted in the framework of the project No. 12-32-06001 "Russian Arctic: current development paradigm", the grant of the target-oriented contest RHSF "Russia in the Arctic: past, present, prospects".

Introduction

A specific feature of the Russian Arctic is the presence of a large number of mono-towns – urban settlements with the dominant position of one or several technologically related enterprises, i.e. a single-industry structure of the economy.

Under the conditions of the market economy and globalization, characterized by significant market fluctuations and periodic crises affecting the entire industries and countries, the risks concerning sustainable socio-economic development of single-industry towns are especially high. This happened in Russia during the 2008–2009 global financial and economic crisis. It is the aggravation of the crisis situation in many Russian monotowns in this period that attracted the attention of federal authorities to this issue for the first time. In 2009 the Government of the Russian Federation has taken a number of measures aimed to address the socio-economic problems of single-industry towns within the framework of an anti-crisis program: a special interagency commission was established; the criteria of monotowns were worked out; the official list of single-industry settlements, which can be provided with government support, was made; the list of the most problematic single-industry towns (their number was 27) requiring priority support measures was compiled [2, p. 13].

In the framework of the federal government measures, a decision was adopted, according to which it is necessary for single-industry towns, applying for financial aid from the federal budget, to work out comprehensive investment plans (CIP) for their modernization. This became a powerful external

stimulus for the introduction of strategic planning in such cities.

This article gives a brief characteristic of single-industry towns in Russia and its Arctic zone, the general state of affairs in them, analyzes the state policy in relation to single-industry towns in the Russian Federation in general and especially to those that are located in its Arctic regions. By example of the Murmansk Oblast single-industry towns and using the *case study* method, we examine development strategies of the Arctic monotowns in the Russian Federation, identify and analyze the main common problems in the development and implementation of strategic plans for long-term development of single-industry towns in the Russian Arctic.

Single-industry towns in Russia and its Arctic zone, and the government policy in their respect

The criteria of single-industry settlements are of key importance for Russia's public policy with regard to single-industry towns, which concerns, among other things, the provision of targeted financial support from the government. The criteria, first adopted by Russia's Ministry of Regional Development in 2009, included the following: (1) the share of people working at one backbone enterprise or group of enterprises linked by a single technological chain is at least 25% of economically active population; (2) the production output of such enterprise or group of enterprises is not less than 50% in volume of shipped production of this settlement [6].

We note that according to the decision of the Government of the Russian Federation, adopted in December 2013, the authority in coordinating the activities for development

of single-industry towns is vested in the Ministry of Economic Development of the Russian Federation. Currently, the Ministry intends to change the criteria of single-industry settlements that can be provided with federal support. In particular, it is proposed to retain only the criterion of employment; this will cause significant reduction in the number of single-industry towns included in the official list [1]. However, by the time of writing this article (May 2014) new criteria have not been adopted.

In accordance with the specified criteria, Russia's Ministry of Regional Development first compiled a list of Russian single-industry towns in 2009. It includes 358 settlements. The last List of July 26, 2013 comprises 342 settlements [13]. 18 monotowns from the List are located in Russia's Arctic zone, a new composition of which has been recently established by the Presidential Decree of May 2, 2014¹. The total number of urban settlements in the Russian Arctic is 71, out of which the share of single-industry settlements is 25.4%, while the national average indicator is 14.1%². It means that the share of single-industry settlements in the Russian Arctic is almost twice higher than the national average. This proves the urgency of the issues of monotowns for the macro-region of the Russian Federation [14, p. 35]. If we look at the regional distribution of monotowns in the Arctic zone of Russia, we see that most of them (eight settlements, or almost

half of their total number) are located in the Murmansk Oblast.

Development risks typical of all single-industry towns in Russia under the Arctic conditions are aggravated by additional adverse factors such as extreme climate, remoteness from economic centers, underdeveloped transport, engineering and social infrastructure. These factors raise the cost of living and expenses of local budgets, exacerbate social problems and constrain the development of entrepreneurship and innovation [16, pp. 21-24; 3, pp. 58-59]. For resource-based single-industry towns of the Arctic one of the main risks lies in the possible depletion of resources, threatening the shutdown of the main enterprise followed by the decay of the city.

The impact of these adverse factors leads to the tendency towards a significant population decline in most of the monotowns of the Russian Arctic, which also indicates the presence of socio-economic problems. Since the beginning of market reforms (from 1990 to 2013) the population in the cities and towns of the Russian Arctic included in the 2013 List of Russia's Single-Industry Towns, has declined by almost 30%, i.e. by about 300 thousand people. Single-industry towns in Yamalo-Nenets Autonomous Okrug and town-forming enterprises of the oil and gas industry are the only exception. High profits of oil and gas companies provide a relatively better socio-economic situation in the regions and cities, where such enterprises are located. A more detailed description of the current socio-economic situation and, in particular, social problems of the single-industry towns of the Russian Arctic is presented in the article published

¹ *O sukhoputnykh territoriyakh Arkticheskoi zony Rossiiskoi Federatsii: Ukaz Prezidenta RF ot 02.05.2014 № 296* [On the Land Territories of the Arctic Zone of the Russian Federation: the Decree of the RF President of May 02, 2014 No. 296]. Available at: <http://www.kremlin.ru/acts/20895>

² The number of urban settlements in Russia in 2009 was 2417 [10].

according to the findings of the study carried out with the participation of the authors in 2013 [14].

The financial support for the implementation of investment plans that were submitted on a competitive basis by applicant monotowns has been the main tool in Russia's public policy aimed to resolve the issues of single-industry towns; this tool has been applied by the Government in the framework of the anti-crisis program since 2009.

An applicant monotown should have a comprehensive investment plan (CIP) worked out in accordance with the methodological guidelines of the Ministry of Regional Development of Russia, it was a mandatory condition for the earmarking of targeted federal investments. CIP is a strategic planning document, because, in accordance with the guidelines, it should cover a period of more than ten years and include an in-depth analysis of the socio-economic and financial situation in the single-industry town using the SWOT-analysis methodology, elaboration of objectives and priorities for future development, as well as a mechanism for their implementation.

In 2010–2011 almost all the Arctic monotowns in the Russian Federation developed CIPs thus fulfilling one of the main conditions for receiving state support to implement them. Russia's federal budget allocated funds to 50 single-industry towns in 2010–2011 (to 35 towns in 2010 and to 15 towns in 2011); however, only three of the Arctic single-industry settlements actually received support: the town of Kovdor, urban-type settlement of Revda in the Murmansk Oblast and the city of Severodvinsk in the Arkhangelsk Oblast [14].

In spite of a reasonable approach to the conditions of allocation of state support for single-industry towns providing for a necessity to proceed from the principles of strategic planning and management of their development, the organization of the process and practical implementation of the plans in most cases did not ensure the implementation of these principles.

Here we mean the following circumstances. First, the government authorities demanded that monotowns submitted CIPs on short notice without giving them the necessary time for preparation (especially those monotowns that were included in the list of the 27 most problem-plagued settlements that were to do it in only a couple of months). Obviously, it was impossible in such a hurry to ensure involvement of all interested parties in the strategic planning process and wide public participation, which should be an important part of strategic planning. Second, Russian municipalities, due to the current system of tax and budget regulation in the country, are very limited in their economic self-sufficiency. This does not allow them to define and implement the directions of promising development and, to a great extent, current functioning, because more than half of their budget is often formed by state grants and subsidies.

Third, the methodological recommendations of the Ministry of Regional Development of Russia on the elaboration of the comprehensive investment plan of a single-industry town applied an excessively theorized approach (especially in the calculation of the balance of cash flows and capital of monotowns) that did not fully take into account the real situation on the ground.

This led to technical difficulties in the preparation of CIPs due to the absence of the necessary information base at the municipal level and practice of such calculations.

Consequently, fewer opportunities remained for the implementation of other major components of strategic planning – the coordination of the positions of interested parties, public discussion, etc.

As a result, an essentially positive process of implementation of strategic planning in the Russian monotowns initiated “from above” in the framework of public policy to support them, became largely formal. In most cases the process was focused more on the preparation of the document and its submission in time, and less – on the elaboration of a substantial development strategy. In addition, single-industry towns and regional authorities often turn the process of drafting of CIPs into a kind of “hunting” for federal budget funding. However, the first experience of strategic planning has

been useful for many single-industry towns. It made it possible to analyze the potential development of single-industry towns, to identify priorities for further development, and to evaluate the need for resources for the implementation of projected plans.

The strategy for development of single-industry towns in the Murmansk Oblast: the content and implementation issues

The Murmansk Oblast has the largest number of single-industry towns in the Russian Arctic – eight out of the eighteen included in the official List (*tab. 1*).

In 2009 two monotowns of the region, Kovdor and Revda, were included in the list of 27 Russian single-industry towns that have the most difficult socio-economic situation. These settlements were the first ones, for which the comprehensive investment plans were elaborated and submitted to the interdepartmental commission for single-industry towns under the Government of the Russian Federation. The Murmansk Oblast Ministry of Economic Development provided

Table 1. Single-industry towns in the Murmansk Oblast (extract from the List approved by the Order of Ministry of Regional Development of Russia dated July 26, 2013 No. 312)

No	Town	Population (as of January 01, 2013)	Backbone enterprise
1.	Kirovsk	30484	OJSC Apatit
2.	Kovdor	20515	JSC Kovdorsky GOK (Kovdor Mining and Processing Works)
3.	Monchegorsk	47357	OJSC Kola Mining and Metallurgical Company
4.	Polyarnye Zori	17506	Branch of Rosenergoatom Concern OJSC Kola Power Plant
5.	urban-type settlement Tumanny	681	Serebryanskiy HPPs cascade of the branch Kolsky, JSC TGC-1
6.	urban-type settlement Zapolyarny	15800	Structural units of OJSC Kola Mining and Metallurgical Company
7.	urban-type settlement Revda	8101	JSC Lovozersky GOK (Lovozersk Integrated Mining and Processing Plant)
8.	urban-type settlement Nikel	12750	OJSC Kola Mining and Metallurgical Company

Source: Official website of the Ministry of Regional Development of the Russian Federation. Available at: <http://www.minregion.ru/upload/documents/2013/08/160813-p-m-1.pdf>

considerable support to the municipalities in the preparation of these documents with the involvement of research associates from the Institute of Economic Problems, Kola Science Center of RAS (Apatity). Comprehensive investment plans of the single-industry towns Kovdor and Revda successfully passed the competitive selection that allowed them to receive financial support from the federal budget for the implementation of the plans³. In 2010–2011 the rest of the towns in the Murmansk Oblast also prepared their own comprehensive investment plans and submitted them to the commission under the RF Government. However, none of them was supported at the federal level.

The content of the strategies for development of single-industry towns in the Murmansk Oblast, set out in CIPs, was formed under the influence of the requirements of the “Methodological recommendations on the preparation and implementation of comprehensive investment plans for the development of single-industry settlements” of Russia’s Ministry of Regional Development [9]. They envisaged the necessity to develop the entire range of elements of a strategic document, including in-depth analysis of the socio-economic situation; risk analysis; development scenarios; a system of objectives with indicators, timeframes for their achievement and decomposition into sub-goals; a complex of measures (projects) and also a system of managing the implementation of the comprehensive investment plans.

³ Federal funds were allocated, as a rule, to the objects of engineering infrastructure contained in CIPs. Available at: <http://asninfo.ru/se/article/37759>

Despite the fact that the recommendations are theoretically correct, their practical application has proved very problematic for municipalities. This was mainly because the recommendations gave too much attention to the analysis of financial flows in the diagnostic part of the CIP.

In particular, they stipulated the necessity to calculate the balance of payments for each of the seven groups of counterparties of the monotown (backbone enterprise, population, local government and others), to estimate the dynamics of the capital of the monotown, and combine the results of these calculations. In addition to the technical complexity of the recommended methodology of analysis, the practical advantage of its results is questionable, since the reliable initial data for such calculations are virtually unavailable to municipalities. The comprehensive investment plans developed by the single-industry towns in the Murmansk Oblast used the recommendations on the analysis of financial flows in a simplified form; nevertheless, they executed the sections of goal setting and planning for their implementation at a rather high level.

The analysis of the strategies for the development of single-industry towns in the Murmansk Oblast, as set out in their CIPs, showed that, despite their diversity due to peculiarities of each town, they have several common and typical features.

First, it is their focus on reducing the risks of dependence on economic activities of the backbone enterprises through diversification of the town’s economy. The most common way to diversify the monotowns in the Murmansk Oblast is to develop small and medium businesses, especially in the tourism sphere.

Second, it is the presence of modernization and the diversification of the activities of the city-forming enterprise itself. In most cases, CIPs contained the projects for reconstruction and modernization of production facilities planned by the backbone enterprises themselves for the purpose of enhancing their productivity, reducing costs and developing new technologies and products. In some cases, backbone enterprises initiated the projects aimed not only to diversify their major production, but also to develop new activities, thus contributing to the diversification of the towns' economies.

Third, all the plans stipulated the improvement of the urban environment, development of social, engineering and transport infrastructure, enhancement of the standard of living and quality of life of the local population.

However, most of the comprehensive investment plans of single-industry towns in the Murmansk Oblast for the period up to 2020 retain the dominant role of backbone enterprises in the economies of monotowns. Of all the cities and towns in the oblast, only the town of Revda, one of the three single-industry towns in the Russian Arctic, which received federal financial support, focuses its development strategy on the diversification of production in the foreseeable future. The development strategy of the town of Revda stipulates that by 2020 the share of people employed at the backbone enterprise (Lovozerky GOK) in the total number of working-age population of the town will have decreased to 9% (from 13.9% in 2009), while the share of shipped products of the backbone enterprise in the city-wide volume will have decreased to 40% (from 60.2% in 2009). Such

results are planned to be achieved through the development of small and medium business primarily in the tourism sector [8, p. 43].

The Murmansk Oblast organized the work on the regional level with the monotowns that did not receive support from the federal budget. The working group on modernization of single-industry settlements was created under the Murmansk Oblast government to coordinate the implementation of CIPs of single-industry towns within the opportunities available at the regional level. They include the funding of investment projects on a competitive basis, promotion of small and medium business in single-industry towns and other measures within the framework of existing regional programs. However, the influence of the regional government on the implementation of CIPs in single-industry towns is very limited. This is caused mainly by the fact that the need for funding in the implementation of the measures set out in CIPs, as a rule, exceeds to a great extent the capacity of the regional budget.

Table 2 provides the data on the volume and structure of investment sources that were planned in the CIPs of the four single-industry towns of the Murmansk Oblast.

As we can see from the above data, the volume of planned investments for these single-industry towns ranged from 1.6 billion rubles (for Revda) to 37.7 billion rubles (for Monchegorsk). At that, the share of planned funding for this purpose from the regional budget did not exceed 8.6%, and that from the municipal budget – 1.6% (for Kirovsk) of the volume required. On this basis, the investment strategies of the Murmansk Oblast monotowns were focused mainly on attracting extra-budgetary sources (own

Table 2. Planned size and structure of financing sources for Comprehensive Investment Plans of the single-industry towns in the Murmansk Oblast

Planned sources of investment	Kovdor		Revda		Monchegorsk		Kirovsk	
	Sum, million rub.	Share, % to the total	Sum, million rub.	Share, % to the total	Sum, million rub.	Share, % to the total	Sum, million rub.	Share, % to the total
Federal budget funds	6721.9	56.5	242.5	14.6	3765.4	10.0	2325.8	34.4
Regional budget	361.6	3.0	136.2	8.2	858.9	2.3	578.5	8.6
Municipal budget	45.3	0.4	25.2	1.5	166.4	0.4	107.9	1.6
Own funds of organizations, loans and other sources	4761.8	40.0	1254.0	75.6	32962.1	87.3	3752.8	55.4
Total	11 890	100	1658.3	100	37752.8	100	6765.7	100

Source: comprehensive investment plans for single-industry towns available at the official website of the Ministry of Economic Development of the Murmansk Oblast. Available at: http://minec.gov-murman.ru/content/devel_city/sub06/sub04/

funds of organizations and bank loans). Their share ranges from 40% in Kovdor to 87.3% in Monchegorsk. The monotowns pinned great hopes on financing from the federal budget. The share of funding from this source ranged from 10% (Monchegorsk) to 56.5% (Kovdor). As noted above, it was only Kovdor and Revda that received funding from the federal budget to implement their CIPs.

Case 1. Kovdor and Revda: federal support have been obtained, but their own efforts are also necessary

After a positive decision had been made concerning the provision of single-industry towns Kovdor and Revda with federal support for the implementation of CIPs, the regional Government developed and adopted long-term target programs (LTTP) for development of these monotowns⁴ in 2010. They identify the activities and resources for the implementation of the programs for development of these single-industry towns, taking into account all the sources of funding (tab. 3).

⁴ During the elaboration of the LTTP, the regional government made adjustments to the CIP concerning the scope of the projects and their funding.

When comparing the data in tables 3 and 2, we notice that for Kovdor the amount of funding required for the implementation of its CMP and subject to be received from the federal budget (tab. 2) is almost an order of magnitude lower than the amount that was actually allocated (tab. 3), as for the single-industry town of Revda, these sums of money are comparable. But given the fact that the amount of requested funding from the federal budget in the initial drafts of CIP for Revda, as in the case of Kovdor, was significantly higher than the amount that was subsequently allocated, we can say that public funding, as a rule, does not satisfy the needs of single-industry towns in implementing their plans to the full.

While drafting the development strategies and CIP, Kovdor was in a less difficult situation as compared to Revda, whose backbone enterprise Lovozersky GOK LLC is engaged in mining and processing of ores of rare metals.

Because of the problems in the distribution of their products and problems in management due to the change of ownership, the company

Table 3. Volume and structure of funding sources of the Murmansk Oblast long-term target programs for the development of single-industry towns Revda and Kovdor

Funding sources	Kovdor		Revda	
	In million rub.	In million rub.	In % to the total	In % to the total
Federal budget	541.92	205.05	13.0	10.6
Oblast budget	40.16	95.68	6.1	0.8
Municipal budget	10.43	16.79	1.1	0.2
Own funds of organizations	3392.74	1255.08	79.8	66.1
Bank loans	1150.00	-	-	22.4
<i>Total:</i>	<i>5135.25</i>	<i>1571.90</i>	<i>100</i>	<i>100</i>

Sources: *Postanovleniya Pravitel'stva Murmanskoi oblasti "Ob utverzhdenii dolgosrochnoi tselevoi programmy "Razvitie monopofil'nogo gorodskogo poseleniya Revda Lovozerskogo raiona Murmanskoi oblasti" na 2010–2015 gody" ot 10.11.2010 №508-PP* [Resolution of the Government of the Murmansk Oblast "On the Approval of the Long-Term Target Program "Development of Single-Industry Urban Settlement Revda of Lovozersky District of the Murmansk Oblast" for 2010–2015" of November 10, 2010 No. 508-PP]; *"Ob utverzhdenii dolgosrochnoi tselevoi programmy "Razvitie monopofil'nogo goroda Kovdora gorodskogo okruga Kovdorskii raion Murmanskoi oblasti" na 2010–2015 gody" (v redaktsii Postanovleniya Pravitel'stva Murmanskoi oblasti o vnesenii izmenenii №506-PP ot 4 oktyabrya 2011 g.) ot 10.11.2010 №509-PP* ["On the Approval of the Long-Term Target Program "Development of Single-Industry Town Kovdor of Kovdorsky Urban District of the Murmansk Oblast for 2010–2015" (as Amended by the Resolution of the Government of the Murmansk Oblast on the Introduction of Amendments No. 506-PP of October 4, 2011) of November 10, 2010 No. 509-PP].

found itself in a crisis economic position, which had a negative impact on the socio-economic situation in the city. As for Kovdor, one of its two companies that used to be its backbone enterprises, namely JSC Kovdorsluda, was in a deep crisis situation, while another company, JSC Kovdorsky GOK, which was generally successful, experienced temporary difficulties due to the impact of the global financial and economic crisis.

Development strategies of these two single-industry towns and, accordingly, the events set out in their CIPs included diversification of their economy and the activities of their backbone enterprises. Along with that, the list of investment projects scheduled for implementation on the territory of these single-industry towns included the construction and reconstruction of urban utility infrastructure. This part stipulated the allocation of funds of the federal co-financing of investments.

Currently the long-term target programs and CIPs of single-industry towns Revda and Kovdor are being implemented. Kovdor is more successful in the implementation of the long-term target programs. For example, a section of the main water conduit with a length of 3950 m has been built, and sewage treatment facilities have been replaced and reconstructed [11].

In 2012 in the framework of CIP, Revda developed design specifications and estimates on the objects of city infrastructure, and prepared tender documentation for projects of the tourist complex "Russian Lapland", which envisages the construction of seven tourist objects ("the Sami village", alpine ski complex "Alluaiv" and others) and creation of 362 new jobs.

However, in spite of the strong informational support of this competition in local and regional media, it was not held due to the lack of applications from investors [12].

In addition to the objective difficulties that caused a breakdown of the number of scheduled program activities and CIPs in Revda, there were also certain shortcomings in the implementation of the comprehensive investment plan at the city level. As a result, the Ministry of Economic Development of the Murmansk Oblast petitioned for the redirection of part of the federal funds allocated to the single-industry town Revda (118.1 million rubles) to the creation of the industrial Park in Monchegorsk [12], but the decision has not been made so far.

Case 2. Monchegorsk: no federal support, the implementation of the plans requires investment

Monchegorsk is the largest monotown in the Murmansk Oblast in terms of population. Its backbone enterprise is OJSC Kola Mining and Metallurgical Company, which is part of the holding group of MMC Norilsk Nickel. This company is backbone for another two monotowns of the Murmansk Oblast – urban settlements Zapolyarny and Nikel in Pechengsky District.

The “Comprehensive investment plan for the modernization of single-industry town Monchegorsk in the Murmansk Oblast” is the main document that defines the long-term development strategy of Monchegorsk [7]. Its first draft was developed and approved in 2010. The comprehensive investment plan was developed by the town’s Administration with the participation of the autonomous nonprofit organization “Kola Academic University” (Apatity). Subsequently, the document was updated twice, and its new versions were approved in 2011 and 2013, which indicates the interest of the city Administration in the implementation of the planned development strategy.

The set of targets in the CIP of Monchegorsk comprises the main goal and three subgoals. The main goal is “stable socio-economic development of the territory, provision of employment and enhancement of the standards of living” [7].

The subgoals include: (1) reduction of dependence of the city on its backbone enterprise; (2) improvement of the quality of life and comfort of the urban environment; (3) modernization of the activities of the city-forming enterprise. The main target indicators provided by the CIP, as well as the progress of their implementation, according to the town’s Administration, are presented in table 4.

As we can see from table 3, the target indicators of the CIP of Monchegorsk include the promotion of production diversification through the development of small and medium entrepreneurship. Already by 2012 it was planned to reduce the share of people employed at the backbone enterprise below the level, according to which a settlement is classified as monotown (25%), but the information about the actual implementation of this plan is not available yet. At the same time, according to the criterion “shipment of products”, it is assumed that the role of Kola Mining and Metallurgical Company as the backbone enterprise will remain virtually unchanged: the corresponding proportion was 96.7% in 2010; and according to the forecast in the CIP by 2020, it will decline by only 1.6 percentage points (to 95.1%)⁵.

⁵ These figures are taken from the latest edition of the CIP adopted in 2013 [13]. In previous versions, including that available on the website of the Ministry of Economic Development of the Murmansk Oblast, the share of shipped products for the backbone enterprise were, obviously, calculated incorrectly (around 50%).

Table 4. Target indicators of the comprehensive investment plan for the modernization of single-industry town Monchegorsk

Indicator	Report					Forecast	
	2009	2011		2012		2015	2020
		plan	fact	plan	fact		
Share of people employed at the backbone enterprise in the number of able-bodied population, %	25.4	25.2	н/д	24.8	н/д	19.5	17.5
Share of people employed at small and medium enterprises in the number of able-bodied population, %	4.2*	17.1	9.9	18.8	8.5	19.4	20.2
Level of registered unemployment, %	4.8	2.4	2.6	2.3	2.3	1.3	1.1
Average monthly wages of employees, rub.	26 133	31 607	32 623	36 212	36 664	46 018	66 140
Number of small and medium enterprises, units	368	405	406	418	414	420	450

* Share of people employed at small enterprises (excluding medium enterprises).

The indicator “proportion of employees at small and medium enterprises” is not only far behind the planned values, but it even decreased in 2012 compared to 2011. This suggests that the strategic objective to develop economic diversity in the town through the development of small and medium entrepreneurship is not implemented.

The comprehensive investment plan of Monchegorsk has the following “anchor” projects: the creation of an industrial park, construction of a plant for the production of grinding balls, establishment of a tourist industry complex.

The initiators of the project for creation of an industrial park in Monchegorsk were OJSC Kola Mining and Metallurgical Company and the town’s Administration. It is planned that this project will bring the greatest positive multiplier effect in comparison with other projects of the CIP. The industrial park project provides for the creation of a multifunctional industrial site to accommodate 20–30 small and medium enterprises on the basis of engineering and technological objects not used by the backbone enterprise.

However, despite the fact that the Murmansk Oblast Government is promoting this project, so far its implementation is still at the design stage, and the requests for support from the federal budget were not supported. Kola MMC, one of the project initiators, is not offering an adequate assistance in its implementation.

In general, though the quality of the CIP as a strategic planning document is rather high, its implementation is going on slowly. The main reasons are the lack of adequate financial support of the planned projects from the government (federal and oblast) and private actors (primarily OJSC Kola MMC).

This situation has led to a “cool” attitude of the town administration to the formation of the originally planned institutional mechanism for the implementation of the CIP: the council on its implementation was not established, neither were other bodies of organizational structure of management and monitoring of the plans.

Case 3. Kirovsk: investment support is provided by the regional government and the backbone enterprise

The town of Kirovsk is the second largest town in the Murmansk Oblast in terms of its population. It was founded in the early 1930s, during the period of Soviet industrialization, due to the development of apatite-nepheline ores in the Khibiny massif. The extraction and primary processing of the ore was carried out by the state enterprise Apatit (now OJSC Apatit, a part of PhosAgro Group) which became the backbone enterprise for the then rapidly growing town and its surrounding settlements.

A comprehensive investment plan for the modernization of Kirovsk was developed in 2010 among the first in the Murmansk Oblast, and submitted to the Ministry of Regional Development of Russia. Federal support for its implementation was not received. Development of the tourism industry was considered the main strategic direction of diversification of Kirovsk economy because the town has good opportunities for development of tourism, primarily, winter sports. Kirovsk has been famous throughout the country for its ski resorts since Soviet times. If they are upgraded, if the town develops modern infrastructure and new types of tourism, including year-round tourism, it will be a strong impetus for sustainable socio-economic development of the town. These directions of diversification form the basis for its development strategy and for the CIP of modernization of this single-industry town.

To date, despite the lack of federal support, certain progress has been made in the implementation of some of the planned projects. For example, the Murmansk Oblast Government and the city-forming enterprise OJSC Apatit participated as co-founders in the establishment of JSC

Kanatnaya Doroga (Aerial Cableway), which constructing a modern ski-lift near Kirovsk with a total investment of 406 million rubles and a completion date being 2015⁶. Thus, the backbone industrial enterprise is becoming one of the engines of diversification of the town's economy [15, p. 104].

However, along with achieved success, Kirovsk is facing new problems related to the implementation of a program of major changes in the internal organizational structure of OJSC Apatit that was launched in April 2013. The reorganization involves the dismissal of 2420 employees of the enterprise⁷. Taking this into consideration, in 2013 the Working Group on modernization of single-industry towns under the Federal Government Commission on Economic Development and Integration included Kirovsk into the new List of single-industry towns of the Russian Federation that have the most difficult socio-economic situation⁸.

These examples show that problems exist and they can occur in every single-industry settlement of the Murmansk Oblast, including those where the backbone enterprises are quite successful at present. This confirms the high relevance of the strategic approach to the management of the development of such towns. Strategic management envisages flexible response to the changes in

⁶ The list of investment projects planned for implementation in single-industry municipalities in the Murmansk Oblast. Available at: http://minec.gov-murman.ru/opencms/export/sites/mineconomy/content/devel_city/sub06/6/1.pdf

⁷ Information about socio-economic status of single-industry territorial formations of the Murmansk Oblast (Kirovsk). Available at: http://minec.gov-murman.ru/content/devel_city/sub06/sub03/

⁸ Official website of the Ministry of Regional Development of Russia. Available at: http://www.minregion.ru/uploads/attachment/documents/100913/100913_p_1.pdf

environmental factors; it helps to find timely responses to new challenges and threats to their development.

At the same time, practical implementation of strategic management in single-industry towns of the Russian Arctic requires certain economic and institutional conditions, which at present are, in most cases, poorly developed in Russia in general and in its Arctic zone in particular. Institutional problems in the implementation of the strategies are associated with underdevelopment of formal and informal institutions necessary for successful strategic management. The underdevelopment of formal institutions is manifested in the weakness of legal and methodological support to this process. For example, the draft Federal Law “On the state strategic planning”, the discussion of which has been going on for several years, has not been adopted so far (in November 2012 it was reviewed by the State Duma in the first reading). Informal institutions are underdeveloped, particularly with regard to the availability of necessary cooperation networks of municipal, public and business structures. In addition to institutional factors, the level of human development (knowledge and experience of interested parties involved in the drafting and implementation of strategies) is also crucially important; however, it is usually not high enough [see, e.g., 4, 5].

Conclusions

Analysis of strategic planning in single-industry towns of the Russian Arctic exemplified in the case of the Murmansk Oblast allows us to formulate the following conclusions.

1. The process of elaborating the strategies for the development of single-industry towns

in the Russian Arctic was initiated in 2009 by the federal authorities, i.e. the approach “from above” was applied. The fact that the Federal Government turned its attention to the problems of single-industry towns is very positive. However, the haste, with which the development of strategic planning documents of single-industry towns (comprehensive investment plans – CIPs) was organized, and the flaws in the methodological recommendations of Russia’s Ministry of Regional Development related to their elaboration in many cases did not contribute to the drafting of high quality strategies.

2. Although there is no doubt that certain benefit was obtained in the process of developing strategic documents of single-industry towns (their development potential was analyzed, priorities of their development were defined, need for resources to implement the plans was estimated), their implementation is still hampered by a number of problems of economic and institutional nature.

3. Economic problems in the implementation of strategies for single-industry towns in the Russian Arctic are connected, first, with insufficient provision of municipalities with resources (mainly financial), which hampers the realization of their development prospects; and second, with insufficient participation of the government authorities (even in the cases when state support is provided) and backbone enterprises in the implementation of the strategic plans of monotowns.

4. Institutional problems in the implementation of the strategies are connected with the underdevelopment of both formal and informal institutions necessary for successful strategic management.

The underdevelopment of formal institutions is manifested in a poor legal and methodological support of this process. Informal institutions (networks of cooperation between municipal, state and business structures) are not developed enough. In addition, the level of human development (knowledge and experience of the parties involved in the formation and implementation of strategies) is crucially important, but, as a rule, it is not high enough.

5. The analysis of the strategies for the development of single-industry towns in the Murmansk Oblast, outlined in their comprehensive investment plans, shows that the following objectives are typical for them. The first objective is the reduction of the risks of the town's economic dependence on its backbone enterprise by diversifying the town's economy. The most common direction of the diversification of monotowns is the development of small and medium business, especially in tourism. The second objective is modernization and diversification of the activities of the backbone enterprise. In most cases, CIPs include the projects for reconstruction and modernization of production capacities of backbone enterprises aimed to enhance their productivity, reduce costs, develop new technologies and products. Sometimes backbone enterprises also initiate the projects for the development of new activities, thus helping to diversify the economies of towns (as in the case of

OJSC Apatit that develops the ski resort in Kirovsk). The third objective is to increase the comfort of the urban environment, the development of social, engineering and transport infrastructure in the town, and to improve the standard of living and quality of life of the local population.

6. Despite the fact that the Murmansk Oblast monotowns are strategically focused on diversification, their CIPs, except for Revda, for the period up to 2020 forecast that the single-industry nature of the economy will be preserved. A sufficient resource base, relatively stable economic situation of the majority of backbone enterprises and the slow processes of diversification suggest that such forecasts are in many respects justified. At the same time, if the goals are implemented consistently, the degree of diversification of the towns' economy in the future can be significantly enhanced, and the risks of their development, associated with single-industry nature of their economies, can be reduced.

In conclusion, it should be noted that successful implementation of strategies for the development of single-industry towns in the Russian Arctic, their sustainable socio-economic development requires, along with the need to overcome the above problems, the ability of local governments to unite the urban community, to coordinate and mobilize the efforts of the representatives of the town's main social groups for achieving the jointly developed goals.

Cited works

1. Voskresenskaya O. A Single-Industry Town: the Gate Opens. Approaches to Support Single-Industry Towns are Defined. *Russian Newspaper*, 2013. December 23. Available at: <http://www.rg.ru/2013/12/23/monogoroda.html>
2. Didyk V. V. Strategy to Develop Single-Industry Towns of the Russian Arctic (on the Example of the City of Monchegorsk, the Murmansk Oblast). *The North and Market: Formation of Economic Order*, 2014, no. 5 (42), pp. 13-16.

3. Didyk V. V., Ryabova L. A. Problems and Prospects of Development of Local Self-Government in the Municipalities of the Russian North and the Arctic. *Transactions of the Karelian Research Centre of the Russian Academy of Science. The "Region: Economy and Management" Series*, 2013, no. 5, pp. 54-63.
4. Didyk V. V. Study of the Practice of Strategic Planning and Management in the Municipalities of the North of Russia. *Regional economy: Theory and Practice*, 2012, no. 23, pp. 31-38.
5. Didyk V. V., Emel'yanova E. E. Strategic Management as a Tool to Overcome the Problems of Single-Industry Towns of the Russian North. *Sustainable Social Development of Northern Territories of Russia: Experience, Problems, Prospects: Collection of Materials of the Interregional Research-To-Practice Conference, Murmansk, November 7-9, 2013*. Murmansk: MGGU, 2013. Pp. 205-210.
6. Zhuravleva N. Single-Industry Towns Got Definition. *Vzglyad. Delovaya gazeta* [Point of View. Business Newspaper], 2009 August 17. Available at: <http://vz.ru/economy/2009/8/17/318084.html>.
7. *Comprehensive Investment Plan to Modernize the Single-Industry Town Monchegorsk, the Murmansk Oblast. Appendix to the City Administration Resolution of June 3, 2013, no. 778*. Available at: http://monchegorsk.gov-murman.ru/opencms/export/sites/monchegorsk/monch-admin/monch-otd_economics/monch-otd_economics-norm_doks/2013_06_03_KIP.pdf
8. *Comprehensive Investment Plan to Modernize the Single-Industry Urban-Type Settlement Revda, Lovozersky District of the Murmansk Oblast*. Available at: http://minec.gov-murman.ru/content/devel_city/sub06/sub04/
9. *Methodological Recommendations on the Preparation and Implementation of Comprehensive Investment Plans to Develop Single-Industry Settlements*. Available at: <http://gov.cap.ru/HOME/24/oip/17.doc>
10. *Population and Society*. Institut demografii GU-VShE, 2010, pp. 407-408. Available at: <http://www.demoscope.ru/weekly/2010/0407/barom02.php>
11. *Report of the Head of the Municipal Entity Kovdor District for 2012*. Available at: <http://www.kovadm.ru/Content/Default.aspx?CategoryId=2&ParentId=397>
12. *Report of the Head of the Municipal Entity of the Single-Industry Urban-Type Settlement Revda of Lovozersky District for 2012*. Available at: http://www.revda51.ru/administraciya/administraciya/struktura_admini/163/
13. *List of Single-Industry Towns (as of July 26, 2013)*. Available at: <http://www.minregion.ru/upload/documents/2013/08/160813-p-m-1.pdf>
14. Ryabova L. A., Didyk V. V., Korchak E. A., Bashmakova E. P., Emel'yanova E. E. Arctic Towns of the Russian Federation: Social Problems, their Solutions and the Role of Resource Corporations. *Corporate Governance and Innovation Development of the North: the Bulletin of the Research Center for Corporate Law, Governance and Venture Investment of Syktyvkar State University*, 2013, no. 3, pp. 34-50.
15. Ryabova L. A. Local Communities of the Planetary North: Trends and Factors of Social Development. *The North and Market: Formation of Economic Order*, 2011, no. 2 (28), pp. 102-106.
16. Selin V. S. The Economic Crisis and Sustainable Development of the Northern Territories. *The North and Market: Formation of Economic Order*, 2010, no. 1 (25), pp. 20-25.

References

1. Voskresenskaya O. Monogorod: vorota otkryvayutsya. Opredeleny podkhody k podderzhke monoprofil'nykh gorodov [A Single-Industry Town: the Gate Opens. Approaches to Support Single-Industry Towns Are Defined]. *Rossiiskaya gazeta* [Russian Newspaper], 2013. December 23. Available at: <http://www.rg.ru/2013/12/23/monogoroda.html>
2. Didyk V. V. Strategii razvitiya monogorodov rossiiskoi Arktiki (na primere goroda Monchegorsk, Murmanskoi oblasti) [Strategy to Develop Single-Industry Towns of the Russian Arctic (on the Example of the City of Monchegorsk, the Murmansk Oblast)]. *Sever i rynek: formirovanie ekonomicheskogo poriyadka* [The North and Market: Formation of Economic Order], 2014, no. 5 (42), pp. 13-16.
3. Didyk V. V., Ryabova L. A. Problemy i perspektivy razvitiya mestnogo samoupravleniya v munitsipalitetakh rossiiskogo Severa i Arktiki [Problems and Prospects of Development of Local Self-Government in the Municipalities of the Russian North and the Arctic]. *Trudy Karel'skogo nauchnogo tsentra Rossiiskoi akademii nauk. Seriya: Region: ekonomika i upravlenie* [Transactions of the Karelian Research Centre of the Russian Academy of Science. The "Region: Economy and Management" Series], 2013, no. 5, pp. 54-63.

4. Didyk V. V. Issledovanie praktiki strategicheskogo planirovaniya i upravleniya v munitsipal'nykh obrazovaniyakh Severa Rossii [Study of the Practice of Strategic Planning and Management in the Municipalities of the North of Russia]. *Regional'naya ekonomika: teoriya i praktika* [Regional Economy: Theory and Practice], 2012, no. 23, pp. 31-38.
5. Didyk V. V., Emel'yanova E. E. Strategicheskoe upravlenie kak instrument preodoleniya problem monogorodov rossiiskogo Severa [Strategic Management as a Tool to Overcome the Problems of Single-Industry Towns of the Russian North]. *Ustoichivoe sotsial'noe razvitie severnykh territorii Rossii: opyt, problemy, perspektivy: sbornik materialov mezhhregional'noi nauchno-prakticheskoi konferentsii, g. Murmansk, 7–9 noyabrya 2013 g.* [Sustainable Social Development of Northern Territories of Russia: Experience, Problems, Prospects: Collection of Materials of the Interregional Research-to-Practice Conference, Murmansk, November 7–9, 2013]. Murmansk: MGGU, 2013. Pp. 205-210.
6. Zhuravleva N. Monogoroda poluchili opredelenie [Single-Industry Towns Got Definition]. *Vzglyad. Delovaya gazeta* [Point of View. Business Newspaper], 2009 August 17. Available at: <http://vz.ru/economy/2009/8/17/318084.html>.
7. *Kompleksnyi investitsionnyi plan modernizatsii monogoroda Monchegorsk Murmanskoi oblasti. Prilozhenie k postanovleniyu administratsii goroda ot 03.06.2013 № 778* [Comprehensive Investment Plan to Modernize the Single-Industry Town Monchegorsk, the Murmansk Oblast. Appendix to the City Administration Resolution of June 3, 2013, no. 778]. Available at: http://monchegorsk.gov-murman.ru/opencms/export/sites/monchegorsk/monch-admin/monch-otd_economics/monch-otd_economics-norm_doks/2013_06_03_KIP.pdf
8. *Kompleksnyi investitsionnyi plan modernizatsii monoprofil'nogo gorodskogo poseleniya Revda Lovozerskogo raiona Murmanskoi oblasti* [Comprehensive Investment Plan to Modernize the Single-Industry Urban-Type Settlement Revda, Lovozersky District of the Murmansk Oblast]. Available at: http://minec.gov-murman.ru/content/develop_city/sub06/sub04/
9. *Metodicheskie rekomendatsii po podgotovke i realizatsii kompleksnykh investitsionnykh planov razvitiya monoprofil'nykh naselennykh punktov* [Methodological Recommendations on the Preparation and Implementation of Comprehensive Investment Plans to Develop Single-Industry Settlements]. Available at: <http://gov.cap.ru/HOME/24/oip/17.doc>
10. *Naselenie i obshchestvo* [Population and Society]. Institut demografii GU-VShE, 2010, pp. 407–408. Available at: <http://www.demoscope.ru/weekly/2010/0407/barom02.php>
11. *Otchet glavy munitsipal'nogo obrazovaniya Kovdorskii raion za 2012 god* [Report of the Head of the Municipal Entity Kovdorsky District for 2012]. Available at: <http://www.kovadm.ru/Content/Default.aspx?CategoryId=2&ParentId=397>
12. *Otchet glavy administratsii munitsipal'nogo obrazovaniya gorodskoe poselenie Revda Lovozerskogo raiona za 2012 god* [Report of the Head of the Municipal Entity of the Single-Industry Urban-Type Settlement Revda of Lovozersky District for 2012]. Available at: http://www.revda51.ru/administraciya/administraciya/struktura_admini/163/
13. *Perechen' monogorodov (po sostoyaniyu na 26 iyulya 2013 g.)* [List of Single-Industry Towns (as of July 26, 2013)]. Available at: <http://www.minregion.ru/upload/documents/2013/08/160813-p-m-1.pdf>
14. Ryabova L. A., Didyk V. V., Korchak E. A., Bashmakova E. P., Emel'yanova E. E. Arkticheskie monogoroda Rossiiskoi Federatsii: sotsial'nye problemy, puti ikh resheniya i rol' resursnykh korporatsii [Arctic Towns of the Russian Federation: Social Problems, their Solutions and the Role of Resource Corporations]. *Korporativnoe upravlenie i innovatsionnoe razvitie Severa: Vestnik nauchno-issledovatel'skogo tsentra korporativnogo prava, upravleniya i venchurnogo investirovaniya Syktyvkar'skogo gosudarstvennogo universiteta* [Corporate Governance and Innovation Development of the North: the Bulletin of the Research Center for Corporate Law, Governance and Venture Investment of Syktyvkar State University], 2013, no. 3, pp. 34-50.
15. Ryabova L. A. Mestnye soobshchestva planetarnogo Severa: trendy i faktory sotsial'nogo razvitiya [Local Communities of the Planetary North: Trends and Factors in Social Development]. *Sever i rynek: formirovanie ekonomicheskogo poryadka* [The North and Market: Formation of Economic Order], 2011, no. 2 (28), pp. 102-106.
16. Selin V. S. Ekonomicheskii krizis i ustoychivoe razvitie severnykh territorii [The Economic Crisis and Sustainable Development of the Northern Territories]. *Sever i rynek: formirovanie ekonomicheskogo poryadka* [The North and Market: Formation of Economic Order], 2010, no. 1 (25), pp. 20-25.