

Managing a Monotown as a Priority Social and Economic Development Area

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Abstract. The goal of the study is studying the specific features of organizing a priority social and economic development area (PSEDA) on the example of PSEDA “Yurga” in Kemerovo region (Russia). The problem is formulated as the question: which institutes, ideas, resources and management technologies may fuel transition to the new stage of the monotown development. The practical task is to determine the promising trends of development of single-industry municipalities on the example of the town of Yurga in Kemerovo region. In the paper we formulate the trends of developing sustainable urban environment of the monotown as of priority social and economic development area for further synergetic integration into higher order structures.

INTRODUCTION

Currently in Russia one can observe centralization processes of budgetary resources at the federal level which makes the municipalities less independent in terms of financial, investment and other issues which, in its turn, affects the life standards of local inhabitants. Income security of municipalities is extremely low especially in single-industry towns where local economy is presented by one or a few branches. The financial situation has become worse in most Russian regions during the last five years: budget deficit was stated in 76 territorial entities of the Russian Federation [1].

Today over 15 million people live in 139 Russian single-industry towns [1, 2]. At the same time the social and economic situation can be estimated as a stable only in 71 inhabited localities. The problem of single-industry is especially pressing in Kuzbass where 24 single-industry towns are situated in Kemerovo region. The mentioned above single-industry towns of Kemerovo are distributed into the following categories: category 1 – the single-industry towns with the hardest social and economic situation – includes 5 towns; category 2 – with the risks of deterioration of social and economic situation – includes 16 towns; category 3 – stable social and economic situation – includes 3 single-industry towns. About 70% of the population of the region lives in the single-industry towns.

Yurga is the first single-industry town of Kemerovo region to get the status of the priority social and economic development area. The town occupies 7th place in the region in terms of population, has compact structure and its population density is second in the region. Local economic mainstay LLC “Yurga Engineering Plant” produces mining equipment, lifting machines and products for metallurgy industry. The main markets of the mining equipment produced by the machine-building plant are Kuzbass, Pechora, South Yakutian, Minusinsk coal-mining fields. The main customers are OJSC “CC “South Kuzbass”, OJSC “Siberian Coal Energetic Company” (SUEC),

OJSC “Kuzbassugol”, CJSC “Raspadskaya Coal Company”, OJSC “HC “Kuzbassrazrezugol”, OJSC “Yakutugol”, plants of the company “Sibuglemt”.

Favourable Economic Zone of Industrial Type in the town is opened till the end of 2016, there are 11 investment sites established. In spite of this fact the social and economic situation in the town remains stably negative.

The main solutions for the problem of single-industry towns in Russian are the following [3]:

- business process re-engineering at the local economic mainstays;
- budgetary co-financing of investment projects of single-industry town infrastructure development;
- diversification of a single-industry town economy;
- stimulation of population migration;
- closing up production and single-industry town (as the last-ditch solution).

Currently there are two basic instruments used for supporting single-industry towns: the Fund of Single-Industry Towns Support that provide co-financing for development (the decision on its foundation was made in September 2014) and priority development areas.

The priority development areas are selected on the competition base and by decision of Russian Federation Government. Residents of such areas have to sign special agreements on implementation of investment project. In this case they are given significant profit tax, insurance contributions and regional tax advantages which is directly related to the living standards of the people and reduction of the probability of social strain growth.

At the same time only those single-industry towns may count to get government support where local authorities have prospective plans for territory development, where long-term strategy is a real lever of influence over social and economic situation and the owners of the local economic mainstays are interested in developing certain projects of production modernization and creating new high-tech jobs.

A significant amount of works in the field of social and economic development of single-industry municipalities (works of I.D. Turgel [4], A. Neshchadin, A. Prilepin, E.V. Peshina, O.S. Ioffe, P.E. Animits, N.V. Zubarevich, N.V. Sbrodova, S.G. Zvorygin, O.M. Roy and others) allow forming systematic methodology of the problem and pass on to the practice of single-industry towns managing with consideration to institutional systems development.

The aim of the paper is studying the peculiarities of creating the priority development areas in single-industry towns.

The authors proceed from the assumption that the experience of organizing the priority social and economic development area “Yurga” will allow obtaining scientifically important results and suggestions on forming sustainable town environment of a single-industry town under the conditions of centralised administration.

Legal framework of the study

The legal framework of the study includes federal regulatory legal acts, laws of Kemerovo region, orders and decisions of the Kemerovo region Administration Board, Kemerovo region Administration and executive authorities documents, including:

- Federal Act №473-FZ dated 29.12.2014 «On the priority social and economic development territories in RF».
- Kemerovo region law dated 08.07.2016 №51-OZ «On establishing powers of Kemerovo region Administration Board to conclude agreements on carrying out activities in the priority social and economic development areas organized in the territories of single-industry municipalities (monotowns) of Kemerovo region».
- «Requirements for the investment projects realized by the residents of the priority social and economic development areas organized in the territories of single-industry municipalities (monotowns) of the Russian Federation»
- «Additional requirements to the residents of priority social and economic development areas organized in the territories of single-industry municipalities (monotowns) of the Russian Federation».

Priority social and economic development area

The completed analysis of the international practices of single-industry areas modernization (Germany, Great Britain, Holland, Canada, USA) showed the similarity of monotowns managing problems in the whole world [5]. Improvement of the town environment is an urgent task in the northern prefectures of Japan (for example, Hokkaido) and in a number of territorial entities of the Russian Federation.

As a matter of actual practice, in spite of the government support measures the number of monotowns does not reduce in Russia. The amount of the problems accumulated by the monotowns also remains the same. It shows the necessity of higher order structures integration into the monotown economy as it allows alleviating the single-industry dependence problem. Priority social and economic development areas may become such structures according to the Russian Government Act from 22.06.2015 № 614.

The synergetic effect is supposed to appear due to attraction of private investment and target state financing of investment projects of anchor residents of priority social and economic development areas by the Fund of monotowns development.

A municipality within its boundaries is called priority social and economic development area. The status is assigned for 10 years with the opportunity of prolongation for 5 years more. One can become a resident of the area during the first three years after the PSEDA is formed. The decision on PSEDA formation in a monotown is made by the government on the base of the Ministry of Economic Development and Trade of the Russian Federation suggestions. The Ministry, in its turn, estimates the claim applied by head of the region in coordination with the head of the monotown.

The list of the kinds of economic activities approved within investment projects is also determined by the government. The same is true for the requirements to the similar projects concerning jobs, capital investments, attraction of work force from abroad and other criteria.

PSEDA are special areas with tax advantages, simplified administrative procedures and some other derogations.

Seventeen priority social and economic development areas were organised in Russia, 12 of them are situated in the Far East, in the monotowns, beside Yurga, there are also PSEDA “Gukovo” (Rostov region), “Naberezhnye chelny” (Tatarstan), Andzhero-Sudzhensk (Kemerovo region) and PSEDA “Usolye-Sibirskoye” (Irkutsk region). The law does not regulate the number of the organised PSEDA.

Analysis of investment infrastructure of Yurga

The goal of organizing PSEDA in Yurga is reducing town economy dependence upon the local economic mainstay “Yurga machine-building plant”, ensuring sustainable development of the municipality and creating new jobs.

The experiment of reducing the dependence upon the local economic mainstay started in 2010 with formation of special economic zone aimed at creating favorable conditions for industrial development “Yurga”. The residents were suggested tax advances including simplified taxation scheme and support from management company municipal budgetary institution “Agency for Yurga development, business support and investments attraction”.

Results of special economic zone “Yurga” activities in 2011-2015:

- investments into town engineering and transport infrastructure development made 834.5 mln rubles,
- 528 jobs were created,
- 2.5 billion rubles of investments attracted,
- the income of the consolidated budget made 322 mln. rubles.

The most significant problem, absence of the centralized waste water collection system in the special economic zone that endangers the development of the companies already operating in the town and new investment projects was solved by autumn 2016.

In April 2015 the agreement was signed on coordination of activities aimed at realization of measures to construct the objects of infrastructure and investment project between Kemerovo region Administration Board, Yurga Administration and investors. Within this agreement in July 2015 construction of sewage collector started. The cost of construction is 136.5 mln. rubles, 5 kilometer long. Construction of the collector is one of the first projects realized by the Fund of monotowns development in the Siberian region.

In 2016 Ministry of Economic Development of the Russian Federation received the claim for granting the monotown of Yurga Kemerovo region the status of “Priority social and economic development area”.

When preparing the claim the town administration set the following tasks:

- reducing the town infrastructure and economy dependence upon the local economic mainstay,
- attracting still larger amount of investments to start new production,
- diversification of the monotown economy,
- forming the conditions for including the monotown into the category of towns with stable social and economic situation.

Chairman of the Government of the Russian Federation D.A. Medvedev signed the act №641 from the 7th of July 2016 “On organization of the priority social and economic development area “Yurga” in the territory of Kemerovo region”.

The act determined the boundaries of PSEDA “Yurga”, types of economic activities allowed when realizing the investment projects in this area, minimal amount of capital investment of the residents and minimal amount of new permanent jobs created by the residents.

During the first year after including the juristic person into the list of residents of PSEDA “Yurga”:

- minimum amount of capital investments of the priority development area within the investment project realized by the given resident concerning the corresponding types of economic activity is 5 000 000 rubles;
- minimum amount of new permanent jobs created within the investment project realized by the given resident concerning the corresponding types of economic activity is 20.
- Obtaining the status of PSEDA resident opens great opportunities of getting federal, regional and municipal support to the juristic person planning to realize new investment projects in the town, namely:
- during 10 years from the 1st day of the month following the month when the status of PSEDA resident was obtained the total rate of insurance is 7.6% (Office of the Pension Fund of the RF – 6%, Social Insurance Fund – 1,5%, Federal Compulsory Medical Insurance Fund – 0,1 %), instead of 30%;
- the rate of corporate profits tax to be passed to the federal budget is 0% instead of 2%;
- the rate of corporate profit does not exceed 5% during 5 tax periods starting from the moment of getting first profit from economic activities and 10% during the next 5 tax periods instead of 18%;
- exemption of PSEDA participant residents from corporate property and land taxes;
- special legal regime of carrying out business and other activities in PSEDA determining the peculiarities of conducting state and municipal control.

PSEDA residents are juristic persons who are business organizations and who signed agreements about conducting their activities in PSEDA “Yurga” with State government bodies of Kemerovo region, included into the list of PSEDA residents and satisfying the following requirements:

- the juristic person is registered in the territory of Yurga municipality;
- the activities of the juristic person are conducted only in the territory of Yurga municipality;
- the juristic person is not the local economic mainstay or its subsidiary.

The following companies cannot be considered PSEDA residents: state and municipal unitary companies, financial companies including credit and insurance organizations and professional participants of securities market.

One of the key advantages for PSEDA residents is the regime of free customs zone. The simplified procedure of execution of documentation for objects construction and putting into operation including the front-end system when getting state services.

By now three investors have claimed obtaining the status of PSEDA “Yurga” resident:

1. Growing coast rainbow trout – initiator LLC “Siberian investment group”, investor OJSC “TransFin-M”. The cost of the project is 1.7 billion rubles, the project allows creating 200 jobs.
2. The company for paper and wastepaper recycling – initiator of the project LLC “Siberian alternative”. The cost of the project is 1.5 billion rubles, 180 jobs are to be created.
3. Production of mining and processing equipment – initiator of the project is LLC “Yurgagidravlika”. The cost of the project is 30 mln. rubles, 40 jobs will be created.

The administration of the town developed the program of development supposing organization of terminal and logistics complex, diversification of local industries and development of town territory.

The planned effect from realization of the project portfolio in 2015-2016:

- creating at least 4.5 thousand permanent jobs;
- creating 1.5 thousand temporary jobs;
- attracting 4 billion rubles of investments;
- increase of budget revenues by 150 million rubles.

A special feature of PSEDA organization in Kemerovo region is direct control of the regional administration over the activities of the territories. Kemerovo region Administration Board signs agreements on conducting activities in the priority social and economic development areas and also establishes the requirements for investment projects realized by the residents of priority social and economic development areas and to the residents who realise them.

This makes the decision chain longer and creates a wide field of opportunities for modeling and analyzing the efficiency of various models of the single-industry functioning under the conditions of centralized management.

CONCLUSION

Novel tools of increasing the investment attractiveness of monotowns and beginning of formation of differential approach to monotown management generates a need for developing new models of monotowns functioning in the stably changing economic reality.

Analysis of the sources and studying the strategy of PSEDA «Yurga» development allows formulating the priority trends for forming sustainable town environment of the monotown:

1. Developing a multi industry production system on the base of available competitive advantages;
2. Forming and developing town infrastructure;
3. Developing friendly environment for the people to live.

Organizing several PSEDA in the territory of Kemerovo region provides a unique opportunity for analyzing the efficiency of various model of a monotown functioning under the conditions of centralized management.

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