

## PROBLEMS OF MANAGING THE SOCIO-ECONOMIC DEVELOPMENT OF THE SOUTHERN FEDERAL DISTRICT REGIONS AND THEIR SOLUTIONS

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### ABSTRACT

**Purpose:** the purpose of the research is to study the problems of managing the socio-economic development of the southern Federal district regions and to produce proposals of solution.

**Design/methodology/approach:** The research uses the methods of dialectical approach, the method of system approach, comparative analysis, as well as the graphical method and methods of comparison and grouping.

**Conclusions:** dynamic socio-economic development of the entire country begins with ensuring the effective development of territories: counties and regions. In turn, the "speed" of socio-economic development of territories will depend on the effectiveness of using their inherent advantages, specific development factors that are able to maximize the "release" of potential, or internal reserves of each territory.

In the context of changing conditions of social development, it is necessary to review the factors underlying the socio-economic development of territories.

**Practical Implications:** in recent years, the management system of regional socio-economic development in Russia has been subjected to transformation, as manifested in changes of the conceptual ideas and theoretical and methodological approaches to managing the socio-economic development of territories. The lack of effectiveness of the existing concepts of spatial development makes it necessary to review the priorities underlying the development of territories – the core activities that were unable to be the "locomotives" of economic development. The results of the study can be useful for developing a further strategy for sustainable socio-economic development of the regions.

**Originality/value:** the Relevance of the research is not in dispute, in modern conditions, the state draws up new forms of its territorial development, due to the priority of the industry in ensuring the national security of the country, ensuring a high standard of living .

The activity of Federal districts is aimed not only at achieving administrative and political goals, as it was at the very beginning of their formation, but also at implementing socio-economic functions.

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## I. Introduction

Issues of effective formation of territorial development of regions always attract the attention of both domestic and foreign scientists. The unstable political and economic situation in Russia and the world determines the relevance of research in this area. Under the circumstances, the socio-economic development of Russian regions is particularly affected by destabilizing exogenous and endogenous factors, and, consequently, is one of the most vulnerable components of the regional economy's problems.

Initially, the creation of Federal districts as quasi-territorial units and management objects was not intended for socio-economic, but mainly for administrative and political purposes, including increasing the manageability of such quasi-territorial objects. [Aleksandrov V.M. 2002; Matyushkin G.O. 2005]

We use the prefix "quasi" in relation to districts as administrative objects for the following reasons: firstly, because of the unstable and uncertain administrative and territorial status of Federal districts, and, secondly, because the Federal district performs primarily an integral function, combining territories (subjects of the Russian Federation) that are heterogeneous in their composition (in terms of political structure, level of socio-economic development, etc) for the purposes of effective coordinated development of the regions within the Federal district. The uncertainty of the administrative-territorial status of Federal districts in the system of state policy of socio-economic development is shown, for example, by the frequency of changes in the composition of each district.

In the more than 18-year history of using this approach to regional development administration, there have been changes in the state's assessment of the integration function and role of Federal districts in the socio-economic development of regions.

## II. Literature Review

Economic theory identifies the following conceptual models of economic development of territories:

1. Model of the "economic base" (representatives of the theory – P. De La courte, V. Leontiev, T. Mann, G. Richardson, V. Sombart and others). [Richardson H. W., 1969] according to this conceptual model, the regional economy includes two main components: the basic (export) and "non-base" (local) sectors. The growth of the export sector is stimulated by external demand, which leads to an increase in regional exports and related multiplicative effects: an increase in income and employment in the basic sector, and an increase in production volumes. Being a simple tool for managing regional development in the short term, this model did not allow for effective management in the long term, since it did not use a detailed apparatus of controlled quantitative parameters, did not take into account the different influence of the basic sector industries, and the multiplier effect may be delayed. [Belokozova M.V., Druzhinin P.V., Ivanova I.E., Kostyuk O.I., Nikonova L.N., Rozanova L.I., 1999]

2. The raw model of regional economic development. The parameters of this model were first studied by H. A. Innis in 1930. [Inis, Harold, 1977] in accordance with the identified features, the economic development of territories is carried out at the expense of the potential concentrated in the extractive industries of the economy. Therefore, the possibility of regional growth by

investing in the extractive (raw material) sectors of the economy is postulated. The investment attractiveness of raw materials industries allows for additional capital inflows to the region and innovative development of other sectors of the economy. However, as practice shows, especially in countries with strong positions as regional resource centers, such model of territorial development does not ensure stable socio-economic growth.

3. A Model based on the division of the regional economy into sectors depending on the level of technology. In this model, sectors are distinguished by the level of technology: primary, secondary, and tertiary. The authors and followers of the theory include R. Ahrenda, [Ahrend R., 2000] K. Clark, A. Fischer, and J. Furastier. The model is based on the assumption that the elasticity of income demand and labor productivity in high-tech sectors of the economy allow for optimal redistribution of employment between sectors of the regional economy. However, the division of the economy into sectors according to the level of technology does not allow us to obtain the necessary set of parameters for effective management of socio-economic development.

4. The theory of growth poles, according to which the economic growth of a region is possible as a result of structural changes determined by the growth of individual sectors of the economy (J. Budville, G. Myrdal, J. Friedman, A. Hirshman, K. V. Pavlov, etc.). [Naydenov N.D., 2015] the disadvantage of the model is its "predisposition" to the appearance of socio-economic development imbalances caused by the rapid growth of individual territories in contrast to depressed regions. The advantage of the model is its practical feasibility.

5. Neoclassical growth theory based on the concepts of a sector or region. The developers and followers of the model (D. Mead, R. Solow, T. Swan) believe that the economic development of the region is realized in the form of dynamic growth of the main indicators of economic development – gross product or level of per capita income. The advantage of the model is its focus on optimizing budget expenditures, reducing the number of administrative barriers and other obstacles to the dynamic development of the region's economy. The disadvantages of the model are the creation of conditions for monopolistic manifestations in the regional economy.

6. The theory of interregional trade (B. Olin, E. Heckscher). The basic idea of the model is to ensure economic growth based on prices, output and factors of production.

7. Theory of the product cycle (R. Vernon). [Vernon R., 1966] the Model is based on ensuring constant consumption and continuous creation of new types of marketable products. This model, despite its advantages, is not adapted to the rapidly developing processes of globalization and cannot explain the peculiarities of market division in different countries by multinational companies.

8. Entrepreneurial theories (J. Schumpeter et al.). The model is based on the idea of the increased role of entrepreneurs and the entrepreneurial function in the regional economy.

9. The theory of flexible specialization, among which C. F. Sable, D. Zeitlin, and others, [Skotarenko O., 2012] which are the organization of production, production regimes and territorial clusters.

10. Theory of new economic geography (P. Krugman, A. Pred, J. Harris [Davis D. R., Weinstein D. E., 2002], etc.). representatives of this model identify indicators that determine the economic development of the territory: market potential (J. Harris), a set of indicators of export, import, income from foreign economic activity (A. Pred), aggregate indicator (P. Krugman), etc.

Being in a dialectical relationship, the social and economic elements of the social development of the region form an independent category of economic science – "socio-economic development of the region". Problems of socio-economic development of the region, the content of this category, as well as factors affecting its socio-economic development have been the subject of research in numerous works of foreign and domestic authors. The first studies devoted to the

economic aspects of territorial development were reflected in the works of mostly foreign economists, including A. Weber, R. Vernon, [Vernon R., 1966] In. Kristaller, [Christaller W., 1966] A. Lesh , and others.

### III. Research methodology

A set of General scientific and special methods was used to solve the research goal. The methodological basis of the research is a dialectical method of cognition of economic phenomena and processes occurring in the macro - meso-economic system; a systematic approach, comparative analysis, as well as a graphical method and methods of comparison and grouping. Based on the Data of the State Statistics Service of Russia, the key indicators of socio-economic development of the Federation's subjects are analyzed.

### IV. Empirical results

A significant body of research devoted to the socio-economic development of regions, taking into account the multifaceted nature of the category "socio-economic development of the region", could not but lead to scientific discussion and absence of unity in the understanding of the economic category under consideration.

The integration and coordination functions of Federal districts in the system of socio-economic development of the territories of the Russian Federation are being institutionalized. Therefore, the concept of "macroregion" is widely used in relation to Federal districts. For example, in the Federal law on strategic planning in the Russian Federation of June 28, 2014 No. 172-FZ a macroregion defines as "a part of the territory of the Russian Federation that includes the territories of two or more constituent entities of the Russian Federation, the socio-economic conditions within which require the allocation of separate directions, priorities, goals and objectives of socio-economic development when developing strategic planning documents". The concept of "macroregion" in the issues of socio-economic development is actively used in the scientific literature. [Androsenko N. V., 2013]

In addition to regional strategies and programs, there are also "supra-strategic" documents of socio-economic development at the district level that define the priorities and strategic goals of each specific Federal district. Starting in 2011, long-term "supra-program" acts for the development of the Federal districts of the Russian Federation are being adopted. According to the Decree of the RF Government dated 08.08.2015 № 822 "About the statement of Regulations about the content, composition, order of development and adjustment strategies of socio-economic development of macroregions" the strategy of macro-region refers to the strategic planning document, which determines directions, priorities, goals and objectives of socio-economic development of the territory of Russia, including the territory of two or more regions.

The characteristics of the current strategies and programs of the Russian macro-regions are shown in table 1.

**Table 1.** Strategies and programs for socio-economic development of macro-regions of the Russian Federation

№	The macro-region	Name of the strategy/program	Planning horizon
1	Central federal district	Strategy of socio-economic development of the Central Federal district for the period up to 2020	2020 г.
2	North-Western Federal district	Strategy of socio-economic development of the northwestern Federal district for the period up to 2020	2020 г.

3	Southern federal district	Strategy of socio-economic development of the southern Federal district for the period up to 2020	2020 г.
4	Volga federal district	Strategy of socio-economic development of the Volga Federal district for the period up to 2020	2020 г.
5	North Caucasus Federal district	Strategy of socio-economic development of the North Caucasus Federal district for the period up to 2025	2025 г.
6	Urals federal district	Strategy of socio-economic development of the Central Federal district for the period up to 2020	2020 г.
7	The far East and the Baikal region	Strategy of socio-economic development of the Far East and the Baikal region for the period up to 2025	2025 г.
8	Siberia	Strategy of socio-economic development of Siberia until 2020	2020 г.

*Source: compiled by the author based on the analysis of documents*

Due to the territorial heterogeneity of Federal districts as objects of socio-economic analysis, official assessments of their level of development are traditionally carried out on the basis of summing or averaging indicators of socio-economic development of the regions included in such Federal districts. [Monitoring of socio-economic development of Federal districts]

Consider the state and main problems of managing the socio-economic development of the southern Federal district regions, as well as the ways to solve them.

According to the latest edition of the Decree of the President of the Russian Federation of 13.05.2000 № 849 "On the Plenipotentiary representative of the President of the Russian Federation in Federal district" in the southern Federal district includes the regions: Republic of Adygea, Republic of Kalmykia, Republic of Crimea, Krasnodar Krai, Astrakhan region, Volgograd region, Rostov region, Sevastopol (figure 1).

*Figure 1. Regions of the southern Federal district on the map*



For analysis, some indicators of socio-economic development of the southern Federal district as a macro-region and its constituent regions are presented:

a) economic: gross regional product, industrial production indices, the state of individual system-forming sectors of the economy (agriculture, construction), investment in fixed assets, consolidated budget revenues, tax revenues, fees and other mandatory payments, retail trade volumes;

b) social: the average per capita income of the population, the unemployment rate, the crime rate.

The study of selected indicators of socio-economic development of the southern Federal district and the constituent entities of the Russian Federation included in the macroregion was carried out in the following analytical projections:

a) analysis of dynamic series of changes in indicators;

b) assessment of the contribution of each indicator to the achievement of the final values for Russia;

C) estimation of indicators per capita;

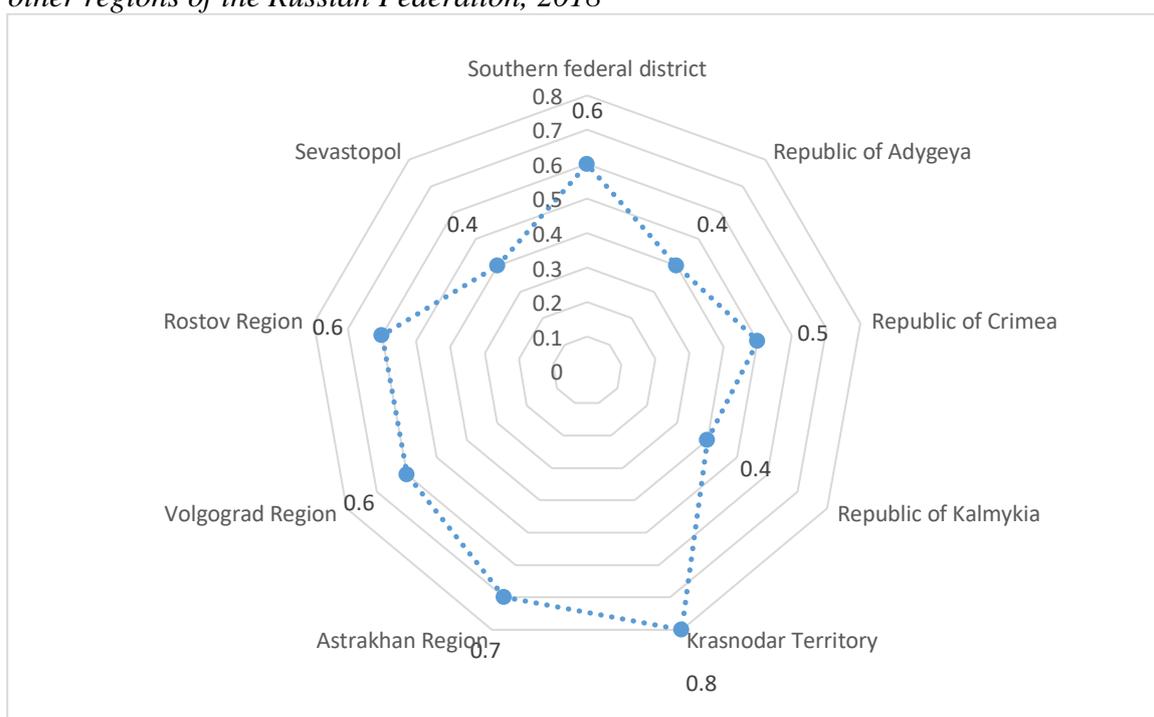
d) comparison of relative indicators for the Russian Federation with relative indicators for the regions of the southern Federal district.

Analysis of the current level of socio-economic development of the southern Federal district allows us to identify the following typical problems for the region.

So, in term of research of sources of sustainable socio-economic development of the southern Federal district, considered as an integral object of management, there is a problem of uneven development of the constituent entities of the Russian Federation in the macro-region. This is evident in most macro-indicators of socio-economic development of the district. For example, the coefficient of variation in the level of GRP per capita between the regions of the southern Federal district is 28.3 %, which indicates a significant heterogeneity of the data series.

Figure 2 shows a graphic illustration of the ratio of GRP per capita between the values for the regions of the southern Federal district and the values on average for Russia.

**Figure 2.** Ratio of GRP per capita in the southern Federal district regions to the average values for other regions of the Russian Federation, 2018



**Source:** based on the author's calculations based on official state statistics of Russia (2019)

The coefficient of variation that allows to determine the degree of uniformity of data can also be used to assess the degree of uniformity of the distribution of other data that characterize the socio-economic development of the southern Federal district regions. Table 2 shows the values of variation for other economic indicators of development of the southern Federal district regions. **Table 2.** Correlation with the national average and values of variation for economic indicators of development of the southern Federal district regions

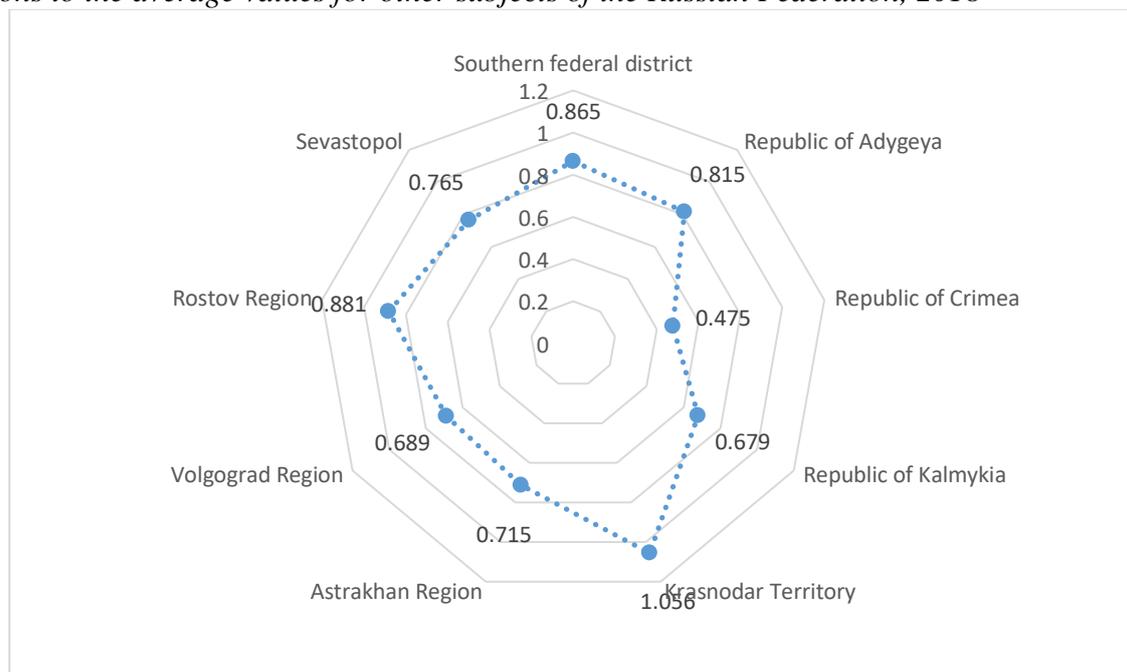
Region	Ratio of indicators to average values for Russian regions						
	GRP per capita	The volume of agricultural products per capita	Volume of work performed by type of activity "construction" per capita	Investment per capita	Budget revenues per capita	Income from taxes and other charges per capita	Retail trade per capita
Southern Federal District	0,6	1,6	0,7	0,8	0,7	0,5	0,9
Adygeya Republic	0,4	1,2	0,5	0,5	0,6	0,3	0,9
Republic of Kalmykia	0,5	2,4	0,1	0,3	0,6	0,2	0,4
Republic Of Crimea	0,4	0,8	0,5	0,9	1,1	0,3	0,6
Krasnodar region	0,8	1,9	1,0	0,8	0,7	0,5	1,2
Astrakhan region	0,7	1,1	0,6	1,3	0,6	1,0	0,8
Volgograd region	0,6	1,5	0,7	0,7	0,6	0,5	0,7
Rostov region	0,6	1,8	0,7	0,7	0,6	0,4	0,0
Sevastopol	0,4	0,1	0,5	0,6	1,0	0,3	0,9
Variation	28,3%	53,2%	40,7%	39,9%	29,3%	52,1%	51,7%

*Source: compiled by the author*

As can be seen, according to other indicators, the coefficient of variation is in the range from 28.3% to 53.2 % - which indicates a significant unevenness of the studied data.

A similar situation is observed in the indicators of social development of the southern Federal district regions. Figure 3 shows a graph describing the ratio of average incomes in the regions of the southern Federal district to the average incomes of the population in all regions of Russia.

**Figure 3.** Ratio of average per capita income of the population in the southern Federal district regions to the average values for other subjects of the Russian Federation, 2018



**Source:** based on the author's calculations based on official state statistics of Russia (2019)

Even in this case, the variation is high and amounts to 22.3 %. It is highly heterogeneous, suggesting the disproportional nature of development and the level of unemployment in the regions of the southern Federal district – here is a variation of 23.1 %.

Therefore, in the course of scientific and practical search of ways of improvement of mechanisms of management of socio-economic development of the regions of the southern Federal district, evaluation of new sources of sustainable development of the macroregion, one of the systemic problems that need to be resolved is the issue of significant disparities of socio-economic development of the southern Federal district.

The current strategy of socio-economic development of the southern Federal district largely does not meet the new challenges and threats to regional development. This document was developed in a different economic and geopolitical reality (in 2010 – 2011), and therefore requires updating. First of all, this is due to the inclusion of two new regions in the southern Federal district in 2016 – the Republic of Crimea and the city of Sevastopol.

Therefore, the strategy of socio-economic development of the southern Federal district, which was updated only in 2014, is already inconsistent in terms of the territorial orientation of the formulation of strategic tasks. Requires, inter alia, the revision or addition of a range of policy objectives, due to a dedicated Strategy SIR YUFO problems (insufficiently diversified sectoral structure of the economy of macroregion, low productivity, low degree of innovative activity, small high-tech activities, the lack in the area of innovative clusters (Alimov, Adilchaev, Oteev, Adilchaev, & Temirkhanov, 2020), significant regional differences in the standard of living of the population, underdeveloped engineering infrastructure of the macroregion, the proximity to unstable regions, etc.).

Although the newly incorporated regions have developed independent strategies for socio-economic development, obtaining synergy through the coordination of regional management

efforts requires integrating the strategic objectives of the new regions into the current strategic development directions of the southern Federal district.

Using the previously proposed method of assessing the quality of administration at the regional level and based on the analysis of the existing system of distribution of authority, mechanisms of implementation of strategic tasks of socio-economic development in the southern Federal district, the state control SIR in this macro-region can be expressed using the results of scoring (table 3).

**Table 3.** Assessment of the quality of administration at the macro-regional and regional levels in the Southern Federal District

Estimated quality factor of administration of socio-economic development of the region	Southern Federal District								
Quality of strategic vision documents for long-term development of the region	3	2	1	4	4	1	1	2	4
Quality of the selected organizational structure of regional authorities and distribution of functions between branches of government	3	2	2	3	4	2	1	3	2
The quality of use of resources for regional development	1	1	1	2	3	1	1	3	3
Sufficiency of the limits of the functions of management entities at the local level	1	1	2	3	3	2	2	3	2
Quality of mechanisms for monitoring, monitoring and evaluating the effectiveness of long-term programs and current tasks	3	2	1	4	4	1	2	4	2

*Source: compiled by the author*

## V. Discussion and conclusions

Therefore, in the current conditions, when the current long-term plans for the socio-economic development of the macroregion do not meet the new challenges of our time, it is necessary to update the main aspects and potential sources of socio-economic development of the macroregion under consideration. In the current conditions, the main directions for improving the quality of administration of socio-economic development of the southern Federal district are:

1. updating the challenges of socio-economic development in the General document (strategy of socio-economic development of the southern Federal district), which defines the development priorities of the macro-region under consideration;

2. harmonious integration of the strategic development priorities of the newly incorporated southern Federal district regions into the strategic development priorities of the entire macroregion.

Shifting the priorities of socio-economic development of the southern Federal district regions in favor of ways to reduce inter-regional development disparities.

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