

STRATEGY OF INCLUSIVE ECONOMY PROJECT MANAGEMENT

Oleg V. Lokota¹, Andrey V. Burov², Ekaterina M. Medyakova³

Abstract: The potential of the concept of inclusive sustainable growth and the opportunity of the effective implementation of this concept by means of the application of a project management framework are investigated in this article on the basis of the analysis of world practice and peculiarities of the current state of the national economy. The article presents some historical highlights on inclusive economy development both in Russia and abroad as well as peculiarities and benefits of project management as a key approach in achieving of inclusive growth. As a result, authors presented the 4-layer model of indicators to evaluate and adjust the inclusive development.

JEL Classification Numbers: M54, J24; **DOI:** <http://dx.doi.org/10.12955/cbup.v6.1176>

Keywords: project management, project, effectiveness of project implementation, inclusive economy, inclusive growth

Introduction

Conducting systematic studies of the Russian economy, analysts of the World Bank claim that the conditions of its current situation bring Russia closer to an obligation to change its strategy of economic development. (Digital Agenda of the Eurasian Economic Union until 2025: Prospects and Recommendations, 2018)

Non-interference in the ongoing processes will inevitably lead to a negative result, therefore, it is not only necessary to reconsider the current model of Russia's economic growth in the near future, but also consider the practices of foreign countries, new economic trends and development vectors in the context of the post-crisis state of the Russian economy and modern geopolitical relations.

The 39th issue of the Russia Economic Report by the World Bank "The Russian Economy: Modest Growth Ahead" notes that the gradual recovery of Russia's economy in 2017 became possible by deepening macroeconomic stability and gradual easing of the monetary policy. Non-tradable industries played an important role in it. (The Russian Economy: Modest Growth Ahead, 2017). Although the growth rate has slowed by the end of 2017, it already resumed in the first quarter of 2018.

The results of ranking countries by the index of inclusive development (Inclusive Development Index; IDI) proposed by the World Economic Forum are also indicative, the index assessing 107 countries by the criteria of growth, equity and sustainability. So, according to the estimates of 2017, Russia took the 19th place among developing countries in the index of inclusive development. The explanatory documents of the rating determine that the reason for such a low level is the substantial bias of priorities for economic growth over social justice.

Experts predict a rather slow and unstable growth directly dependent on known external factors for the next two years of economic development in Russia. At the same time, the internal potential for the prosperity of the country defines two key components – the restoration of productivity growth and reforms aimed at developing human capital and improving access to public services. In view of the impossibility of active integration of the identified potential without a sustainable budget and effective governance, the authors set the goal of analyzing the mechanisms of project management of the Russian economy from by the concept of its inclusiveness. Thanks to the strategic focus on digital transformation and the modernization of the foundations of public administration, Russia is able to form the required infrastructure for further growth at a proper level for the balanced use of domestic capabilities and consideration of external factors of the world economy.

Inclusive economy: national view and world practice.

The authors consider the thesis on the existence of hidden reserves of the national economy, which can be estimated using the concept of inclusive sustainable growth.

Back in 1987, I. Wallerstein, one of the scientists dealing with the problem of world-system analysis,

¹ The Russian Presidential Academy of National Economy and Public Administration, South-Russian Institute of Management of the Russian Presidential Academy of National Economy and Administration, lokotaoleg@yandex.ru

² The Russian Presidential Academy of National Economy and Public Administration, South-Russian Institute of Management of the Russian Presidential Academy of National Economy and Administration, avburov@bk.ru

³ The Russian Presidential Academy of National Economy and Public Administration, South-Russian Institute of Management of the Russian Presidential Academy of National Economy and Administration, cpkglav@mail.ru

stressed that capitalism, like any system, had a beginning and will have an end. In this regard, it is the global expansion of capitalism, the very integration of the whole world into one world economy that is the precursor of upheavals, when the opportunities for external, extensive expansion are exhausted, and almost all known sources of growth have already been mobilized. (I. Wallerstein, 1987). Now the world trend for digitalization offers new types of resources and tools for growth, but the priorities of economic policies should be reoriented to more effectively counter the insecurity and inequality that accompany technological changes and globalization.

In 2008, a number of prominent economists, including Nobel laureate M. Spence, forming part of the Commission on Growth and Development “The Growth Report: 5 Strategies for Sustained Growth and Inclusive Development”, pointed out that non-inclusive growth models eventually appear to be unsustainable. The reason for this is the impossibility of ensuring a stable and high level of growth needed to reduce poverty and meet basic human aspirations: health, security and the opportunity to contribute to society by work and creativity. Incomplete use and misapplication of human resources with a non-inclusive model results in an imbalance of politics and society, its associated characteristics being the polarization of segments of the population, including polarization by ethnic grounds. As a result, the imbalance can lead either to significant political fluctuations or to the collapse of administrative consistency on the whole (Commission on Growth and Development, 2008).

J. Robinson and D. Acemoglu considered the term “inclusive” relating to “comprehensive” studying contemporary examples in the work “Why Nations Fail” published in 2011 (Robinson & Acemoglu, 2011).

J. Diamond in the work “Guns, Germs, and Steel” hypothesizes that the asymmetry in the development of different parts of the world is due to purely natural factors and advantages, which results in the conclusion that it is imperative to revise these factors and identify their unique combination rather than averaging. (Diamond, 1997)

However, the model of an inclusive economy should not be limited to the framework of internal resources but, be based on the thesis on the application of efficiency-based solutions, forms and mechanisms of globalization. Synergy of national advantages and features of global trends in the world economy is the basis of an inclusive economy. Therefore, if inclusiveness serves more as a measure of equal access to resources in the World Bank report, then inclusiveness is already considered a conceptual basis in the formation of the strategy of the economically significant European integration group “Europe 2020”.

In the absence of a unified approach to this determinant, it should be noted that “inclusive” in the context of economic policy is a multifaceted global growth, its basic characteristics expressed through the degree of social support with a barrier-free environment for all its participants.

When choosing adequate models of modern socio-economic development, the inclusiveness of the economy should be considered not so much in the context of an extensive increase in generally accepted economic indicators, but rather as a measure of intensive growth based on performance indicators and the best possible application of the identified potential. Such a comprehensive and full-fledged approach to the economic cycle seems to be the most appropriate. In view of the urgent need to implement modernization management decisions to minimize structural asymmetry with parallel leveling of Russia’s technological backwardness, with the transition to the advanced development that the system ideally aspires, as well as with the full-scale use of scientific and production potential, the focus on the concept of inclusive sustainable growth is becoming more justified. (Andreeva & Medyakova, 2017)

Regarding the world experience in the formation of the conceptual development of the country’s economy on the basis of inclusiveness, it is necessary to mention the undoubtedly positive experience of such countries and groups as Brazil, India, China, the European Union. For example, the European Union sets a common goal — to show its ability to generate sustainable growth based on inclusiveness as well.

Criteria-based inclusive growth in the Europe 2020 strategy is based on the following elements: full utilization of labor potential, high employment, poverty and its consequences, development of social inclusion and unity, elimination of regional disparities and overall productivity growth. The points of support for the subsequent multiplier effect in this strategy were employment, innovation, climate

change and energy, education, combating social exclusion and poverty alleviation. There is no doubt that the allocation of clear, quantifiable and comparable criteria for the Europe 2020 strategy makes it much easier to assess the effectiveness of implementing the measures applied and monitor their implementation.

Summarizing the peculiarities of world practice with its part left beyond the scope of the article, it is possible to identify the basic algorithm for transferring economic policies to positions of inclusion. Initially, the potential and internal resources, explicit and hidden, are assessed. The latter are particularly interesting and are identified by means of comparison with other countries, the use of innovative technologies and the consideration of world development trends (e.g. digitalization). Then, “points of inclusive growth” are selected and the measurability of the growth of these points is estimated. According to these points and their measurability, a portfolio of tools and proposals is formed taking into account the specifics of the country characteristics, its place in the world economic relations and geopolitical features. According to the authors, project management on a national scale can be the most logical mechanism in this algorithm.

Project management: effective mechanism for achieving inclusive growth

State project management in Russia is a fairly new trend. Transformation of functional management in project management on a national scale is a complex and long-term process. According to most experts, the methodology used to manage programs that include a number of projects is now far from perfect and requires modernization and updating. Applying to the world practice, it should be noted that the governments of countries such as the US, Germany, Japan, France and others are increasingly using methods and means of project management in their daily activities.

Considering the project as an integration activity aimed at achieving a given original goal and which is carried out under unified management, it is important to correctly determine the “foothold” of inclusive growth.

Peculiarities and benefits of project management are manifested in the focus on the result, resource threshold values, clear and consistent algorithmization and personification of the management mechanism, predetermined planning horizon and a trajectory of moving towards the goal, flexibility in managing priorities, simplifying interagency cooperation. It is also important that the project management focuses on risk management, not on responding to problems, as well as a well-understood motivation system.

To confirm the effectiveness of the mechanism for achieving inclusive growth through the project management, it is necessary to refer to the last two IPA reports that characterize the state project management in the UK. (Annual Report on Major Projects 2016-17). Initially, the IPA identified four key sectors in which the state needs assistance in the implementation of projects and megaprojects and which can be defined as the base points of growth:

- Development of project leadership (outstanding leadership) in governmental structures,
- Definition of responsibility and authority of project leaders,
- Careful planning and support of projects,
- Openness and transparency of organizational culture.

If the first two sectors are focused on project self-efficacy, an analysis of the degree of involvement of the latter can assess inclusion as such. It is noteworthy that the IPA plans to develop its own framework for assessing the implementation of joint projects with the leading professional communities and educational institutions in the UK, without dwelling on typical characteristics. It is noted that for the new projects recently included in the portfolio, the data set and methodology will be slightly different to avoid overestimations or underestimations due to data quality.

What are the points of inclusive growth of the Russian economy taking into account world practices?

1. Development of human capital, both in the field of education, and in employment and labor issues in general. The World Bank experts also state in their assessment of the results of 2016 in Russia in a comparative analysis with foreign countries that despite the relatively high level of education among Russian workers, its quality and content does not contribute to the formation of the set of qualifications that have a demand in the market labor, especially in the context of its evolution. The basic complexity is seen in the poorly structured information environment of the labor market, the lack

of strong ties between employer's real needs and the offers of the education sector, and a significant increase in the practical orientation of the latter. The task should be optimal for the conditions of project management (Mikheev V.A. 2018).

In addition to the above, the issue of ways to increase high-productivity employment in the formal sector becomes especially relevant. In this connection, it is feasible to recollect the experience of consolidating the Soviet education system and subsequent employment through mandatory distribution. In modern economic realities, the revival of the institution of distribution of specialists successfully implemented in the USSR in those areas where the personnel deficit is observed has been actively discussed for graduates of budgetary faculties of educational institutions in recent years. It should be noted that in a number of countries, such as the United States, Germany, Great Britain, a similar distribution is practiced, which is interpreted as labor repayment of an educational loan granted to a citizen.

2. Digital infrastructure. Digitalization should be based on a set of measures to accelerate the transition of the traditional enterprise sector to the digital economy, the development of R&D, innovation and entrepreneurship. Only by result of realization of these measures, there can be any significant digital dividends.

3. Social security and sustainable development. It is realized by means of ecologization ("low-carbon economy", "recycling economy" and others), a reference point for innovations and the mandatory transfer of production to innovative technologies, renovation of the healthcare and social protection system.

The basic portfolio of project management tools at these points may include social business, institutional technology, impact investing and others. Summarizing the above, the key criteria for a strategy of inclusive growth of the Russian economy include:

- strategic vision of the goals of economic growth, based not only on increasing GDP;
- full involvement of participants in the economic and social process, which directly or indirectly can affect the activities carried out within the framework of the strategy;
- the full development of intellectual capital;
- the desire for social parity.

Thus, the postulates of an inclusive approach to the development of a viable economic development strategy, taking into account project management, allow us to carefully select the key measures and directions, facilitate mutual coordination and alignment of goals, objectives and an action plan in all areas of social and economic policy considering current trends of development. In this case, the project management provides complete application of national internal advantages, traditional and those accumulated as a result of intellectual and production activities.

However, we should not forget that the monopolization of governance through inclusion has a number of negative consequences. The escalation of the emphasis only on inclusion can show over-segmented goals, duplication of activities, and clogging up the strategy with secondary tasks. At the same time, unified priority tasks for all countries include structural reforms to increase potential output and make growth more inclusive. The search for the ideal balance of this system is an important scientific and practical task everywhere.

Criteria of achievability of inclusive growth by means of project management

A traditional method for evaluating the results of a project activity is the balanced scorecard (BSC), which includes financial and non-financial indicators as one of the most important criteria for evaluating performance. However, this method is insufficient for the analysis of the degree of achievability of inclusive growth.

The above-mentioned inclusive development index (IDI) is calculated by 12 criteria: growth and development (including GDP growth, employment, labor productivity, life expectancy); inclusion (median household income, poverty and inequality); intergenerational equity and sustainability (a savings rate, demographic burden, public debt and environmental pollution). (Ryzhkova & Konina, 2018). However, it leads to comparative characteristics for a set of indicators with the aim of distributing countries according to a given scale.

It is necessary to form a more multilayered and at the same time an easy-to-use assessment tool for

identifying the achievability of inclusive growth by means of project management. The authors consider it necessary to take into account the following initial data:

Layer 1: basic economic indicators of the point of growth in the dynamics.

Layer 2: key indicators of the above balanced scorecard for projects implemented to develop this growth point (strategy - strategic maps - strategic objectives - evaluation criteria);

Layer 3: indicators of the multiplicative effect under the influence of layer 2 on layer 1.

Layer 4: rating indicators for this point of growth in international settlements to adjust management elements and further measures.

The seeming congestion of evaluation characteristics actually consists of a number of simple indicators, the correct combination of which will allow to form the full image of the achievability of inclusive growth by means of project management and timely improve the emerging barriers to the implementation of the goals.

Conclusion

The concept of an inclusive economy considered in the work does not have a long history, but the modern economy provides examples of its effective application. The authors note that the concept of an inclusive economy is not a heal-all, but a growth potential.

As noted in the WEF 2018 report, the main goal of the economic development of countries should be expressed by such inclusive growth which is accompanied by an increase in the incomes of the population along with the growth of its economic opportunities, the level of security and quality of life (The Inclusive Growth and Development Report 2018). The successful experience of a number of countries in this field proves the need to adapt effective solutions to Russian realities. It should also be remembered that only multilateral cooperation remains vital for ensuring the restoration of the world economy, thus, consideration of world economic trends is also mandatory.

The authors of the work put forward the idea of high potential efficiency for achieving the set goals of inclusive growth by means of the reorganization of the public administration system to project management. Harmonization of these two concepts is based on a common goal-setting, flexibility of applied methods, clear planning horizons and transparency of the whole management cycle. However, such a goal needs to be clearly presented, as well as the initial points of inclusive growth, which is a first-degree risk in the subsequent evaluation. Since the project management in the Russian Federation is at the initial stage of its development, the most significant results of the application of state project management by the example of the European Union are considered with the aim of adapting this experience in the national management system.

The criteria for the achievability of inclusive growth by means of project management are presented by a set of indicators, which makes it possible to assess and, if necessary, adjust the trajectory of subsequent development. At the same time, it is unfeasible to expect sharp growth indices in the short term of three years, as to obtain the first positive core results, considering the multiplicative effect, more time is required to prepare both qualitative projects and competent performers. The need to consider these factors is proven by the experience of the implementation of EU countries, consistently pursuing a policy that takes into account inclusive characteristics of economic growth. Therefore, as the authors view it, the next step of the Russian system is to update the project bank and train project teams, giving the latter a certain set of powers and tools for evaluating the consistent implementation of projects to activate the points of inclusive economic growth.

References

- Annual Report on Major Projects 2016-17//URL:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/629622/IPA_Annual_Report_2017
- Commission on Growth and Development, 2008
- Diamond, J.M.. Guns, Germs, and Steel: The Fates of Human Societies, 1997
- The Inclusive Growth and Development Report 2018.
- Wallerstein I. World-Systems Analysis // Social Theory Today/ Ed.by A.Giddens & J.H.Turner.- Cambridge: Polity Press,1987
- World Bank. 2017b. Russia Economic Report No. 37: From Recession to Recovery. Moscow: World Bank Group.

World Bank. 2017b. Russia Economic Report No. 39: The Russian Economy: Modest Growth Ahead. Moscow: World Bank Group.

Andreeva N.A., Medyakova E.M. The strategy of inclusive growth in the context of the consequences of the post-crisis recession in the Russian economy // North Caucasus Humanitarian Institute Bulletin. 2017. № 1 (21). P. 19-25.

World Bank. 2016b. Russia Economic 2016 "Russian Federation Comprehensive Diagnostic Study: Ways to Achieve Comprehensive Economic Growth".

Mamedov O.Y. Economy of inclusive civilization // Terra Economicus. 2017. V. 15. № 3. P. 6-18.

International Monetary Fund. Bulletin of the main forecasts "Prospects for the development of the world economy", January 22, 2018

Mikheev V.A. Inclusive policy of the human capital development. Power. 2018. V. 26. № 1. P. 30-36.

Robinson J., Acemoglu D. «Why Nations Fail», 2011

Ryzhkova O.I., Konina E.A. Index of inclusive development as one of the main indicators of assessing the economic development of the country. Economics and Entrepreneurship. 2018. № 3 (92). P. 114-116.