

The current implementation and expectations of execution of RA territorial development strategy for 2016-2025

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Текущая реализация и ожидания выполнения стратегии территориального развития РА на 2016-2025 годы

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Аннотация. Государственная территориальная политика, осуществляемая в Республике Армения, основана на стратегии территориального развития, которая определяет основные направления, цели и видение развития территориальных единиц Республики Армения на 2016-2025 годы. Стратегия, разработанная для обеспечения сбалансированного территориального развития территориальных единиц (десяти регионов) Республики Армения, также определяет четко измеримые, конкретные критерии и индикаторы, которые гарантируют, что стратегия может считаться реализованной. В армянской экономической литературе мало исследований, посвященных текущему состоянию выполнения стандартов, установленных в стратегии территориального развития, но необходимость острая. Проведенный в статье анализ направлен на восполнение этого пробела, в то же время в статье излагаются ожидания от выполнения критериев, выявляются существующие проблемы, а также намечаются определенные решения.

Ключевые слова: территориальное развитие, стратегия, территориальная политика, территориальные единицы, асимметрия, стратегическое управление

ՀՀ 2016-2025 թվականների տարածքային զարգացման ռազմավարության ընթացիկ կատարողականը և կատարման սպասումները

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Ամփոփագիր՝ Հայաստանի Հանրապետությունում իրականացվող պետական տարածքային քաղաքականությունը հիմնված է տարածքային զարգացման ռազմավարության վրա, որով սահմանվում են Հայաստանի Հանրապետության տարածքային միավորների՝ մարզերի 2016-2025 թվականների զարգացման հիմնական ուղղությունները, նպատակները և տեսլականը: Հայաստանի Հանրապետության տարածքային միավորների՝ թվով տասը մարզերի համաչափ տարածքային զարգացման ապահովման համար մշակված ռազմավարությամբ սահմանված են նաև հստակ չափերի և կոնկրետ չափանիշներ ու ցուցանիշներ, որոնց ապահովմամբ է, որ հնարավոր է համարել ռազմավարությունը կատարված: Հայաստանյան տնտեսագիտական գրականությունում սահմանված չափանիշների ընթացիկ կատարման վիճակը ուսումնասիրող հետազոտությունները սակավաթիվ են, բայց անհրաժեշտությունը՝ հրատապ: Հենց այդ բացը լրացնելուն է ուղղված հոդվածում կատարված վերլուծությունը, որով նախանշվել են չափանիշների կատարման սպասումները, արձանագրվել են առկա խնդիրները, ինչպես նաև տրվել են լուծման որոշակի ուղիներ:

Հանգուցաբառեր. տարածքային զարգացում, ռազմավարություն, տարածքային քաղաքականություն, տարածքային միավորներ, անհամաչափություն, ռազմավարական կառավարում

Introduction: Proportional territorial development is one of the most important components of the socio-economic development of any country. Therefore, the implementation of territorial policy is objectively imperative for each country. The Republic of Armenia is no exception in this regard.

Moreover, the territorial policy in Armenia is built in accordance with the principles of strategic management. The RA territorial development strategy for 2016-2025 defines the RA territorial development mission, vision, priorities, goals and criterias for the implementation of the strategy.

However, the existence of a strategy is another matter, and its effective implementation is a completely different matter. The implementation of the strategy implies the fulfillment of the criterias that ensure its implementation. A key factor in ensuring the effectiveness of territorial policy in this regard is the ongoing monitoring of the implementation of the criterias under consideration, which will enable the achievement of the objectives set by the current strategy. And the research conducted in the article is aimed at solving that problem.

Literature review: There are many foreign and Armenian researches on the introduction of territorial development, its symmetry, as well as the principles of strategic management in the process of territorial development. Foreign researchers such as Valdaliso and Wilson have highlighted the importance of the problem. According to their work on territorial competitiveness development strategies, any country needs to develop a territorial development strategy that focuses on building sustainable competitive advantages [17, p. 2]. A territorial development strategy is a public governance strategy in nature, which, according to Bryson and George, can be defined as a concrete approach to aligning the aspirations and capabilities of NGOs or other entities to achieve goals and create public value [16]. Moreover, according to van der Zwet, Butcher, Ferry, McMaster, and Miller, the territorial development strategy is defined as a long-term development action plan that aims to reduce persistent inefficiencies in specific territorial units [18, p. 3]. The need to develop an effective policy of territorial development was also touched upon by a number of Armenian researchers, moreover, they mostly focused on issues, which are mostly attributable to the Republic of Armenia. In particular, Tadevosyan, Hakobyan, Galoyan, Kesoyan, Sargsyan, Aghajanyan and Ohanyan stated that the lack of a clear and effective regional policy is a significant reason for the disparities in the territorial development of the Republic of Armenia [14, p. 7], and Tigranyan, Vardanyan, Avagyan, Grigoryan and Tigranyan defined the solution of the problem by developing and implementing a spatial economic development strategy [15, p. 4].

However, almost no studies have been conducted by Armenian researchers trying to analyze the level of fulfillment of the criterias determining the implementation of the territorial development strategy in Armenia, as well as their role in the process of ensuring balanced territorial development. This is the gap that the article will try to fill.

Research methodology: Methods and tools such as dynamic and structural analysis, extrapolation, predictions with the least squares method, trend analysis, comparative analysis, induction, deduction, analogy, etc. were used in the research.

The official publications of the Statistical Committee of the Republic of Armenia were mostly the informational basis for the research.

The information was mostly obtained from the following two publications: "Regions of the Republic of Armenia and the City of Yerevan in Numbers", as well as "Small and Medium Enterprises in the Republic of Armenia". The study period was chosen in accordance with the requirements of the strategy. In particular, depending on the criteria requirements of the strategy and the level of information available for a specific period, the study considered indicators attributable to the period covering 2014-2020. The indicators in the analysis are mainly presented graphically. All calculations presented in the research (coefficient, percentage, deviation, etc.) were completely performed by the author.

It should also be noted that certain legal regulations were also essential for the implementation of the analysis. In particular, the Annex to Protocol Decision No. 29 of the Government of the Republic of Armenia of July 29, 2016 and the Annex to Protocol Decision No. 47 of July 9, 2017 of the Government of the Republic of Armenia were studied. These annexes are respectively the Territorial Development Strategy of the Republic of Armenia for 2016-2025 and the Operational Program for Territorial Development of the Republic of Armenia for 2018-2020.

The analysis was summarized with conclusions, as well as some suggestions that can help improve the approaches adopted to solve the existing problems in the field.

Analysis: The territorial policy of the Republic of Armenia is based on the principles of strategic management, which are mostly focused on the implementation of such goals as:

1. Increasing competitiveness in all regions,
2. Ensuring a high level of symmetry in the areas,
3. Improving territorial development policies and practices in the planning and implementation processes [1, point 1.2].

The mission of the current territorial strategy of the Republic of Armenia is to provide a series of interconnected incentives to all regions of Armenia in order to increase competitiveness based on potentials and ensure socio-economic balance between all regions. [1, point 5.1]: In other words,

through strategy, conditions must be created that will eliminate the disparities of territorial development at the regional level, create competitive advantages for those territorial units and increase competitiveness. The desired state of implementation of the strategy through the implementation of this mission is reflected in the vision, according to which growth will be activated in all regions of the country, proportionality and stability will be ensured [1, point 5.2].

However, one of the most important features of strategic management is that in addition to defining the mission, vision, goals and actions, it is also necessary to set specific criterias by which the strategy can only be considered fulfilled. From this point of view, the RA territorial development strategy is not an exception.

According to the RA Territorial Development Strategy 2016-2025, from a strategic point of view, the success of the RA Territorial Development is assessed on the basis of three general, but clearly defined and measurable indicators, these criterias are:

1. In 2017, the Republic of Armenia will have a common Territorial Development Operational Program for the implementation of territorial development policy, which will be the basis for the preparation of budget programs and receiving budget support from external sources for the purposes of territorial development.
2. As of 2025, the GDP per capita in each region will exceed 60% of the national average GDP per capita, and no more than 30% of the population of the regions will be below 70% of GDP per capita.
3. By 2025, the number of people with secondary vocational and higher education, number of people formally employed in non-agricultural sphere and the number of active enterprises in all regions will increase by at least 10% compared to 2014 [1, point 5.2].

In this part of the article, an attempt will be made to analyze the current state of implementation of these criterias in order to understand what is the current level of implementation of the territorial development strategy in Armenia, and what performance can be expected by the end of the strategy in 2025.

The first criterion for the implementation of the RA Territorial Development Strategy 2016-2025 refers to the existence of operational territorial development programs. In particular, it has been determined that in 2017 Armenia will already have a

similar program. Formally, this criterion has been fully met, as Protocol Decision No. 47 of the Government of the Republic of Armenia of November 9, 2017 approved the Operational Program for Territorial Development of the Republic of Armenia for 2018-2020, which is considered the first consolidated program for territorial development of the Republic of Armenia aiming to consolidate interventions under strategic directions [2, point 1.3]. But in this context, the problem is a little different: Any strategy can be implemented by implementing at least two operational plans, otherwise, if it is possible to achieve strategic goals with only one plan, then the meaning of the strategy is questioned. But it is already obvious that only with the implementation of the operational plan for 2018-2020 it is impossible to solve the problems of the territorial development of the Republic of Armenia, therefore, the implementation of the strategy covering a longer time lag is mandatory. In order to ensure the implementation of this strategy, it is also necessary to develop several operational programs that cover the entire duration of the strategy, the requirements of which are not formulated in the current strategy. It has only been determined that it is necessary to have an operational plan in 2017. This program was approved in 2017, but starting from 2021, there is no other territorial development operational program in Armenia. In other words, the standard of the strategy has been met, but the existence of complete programs to ensure the implementation of the strategy is left within the intentions of the current government, which is not an acceptable situation, which is also evidenced by the fact that there is no operational plan at the moment. It is necessary to define the requirement for the development and implementation of operational plans that ensure the whole process of the strategy. It should be noted that the implementation of such a change is justified from the point of view of strategic management, as the variability of the modern world has led to an increase in the degree of adaptability of strategic management mechanisms.

The next criterion, according to the defined strategy, refers to GDP per capita. According to the RA Territorial Development Strategy, there is a goal to increase the GDP per capita to at least 60% of the national average of GDP per capita in each region by 2025. This indicator of the RA regions for 2019, ie at the end of the 4th year of the strategy implementation, is presented in Figure 1.

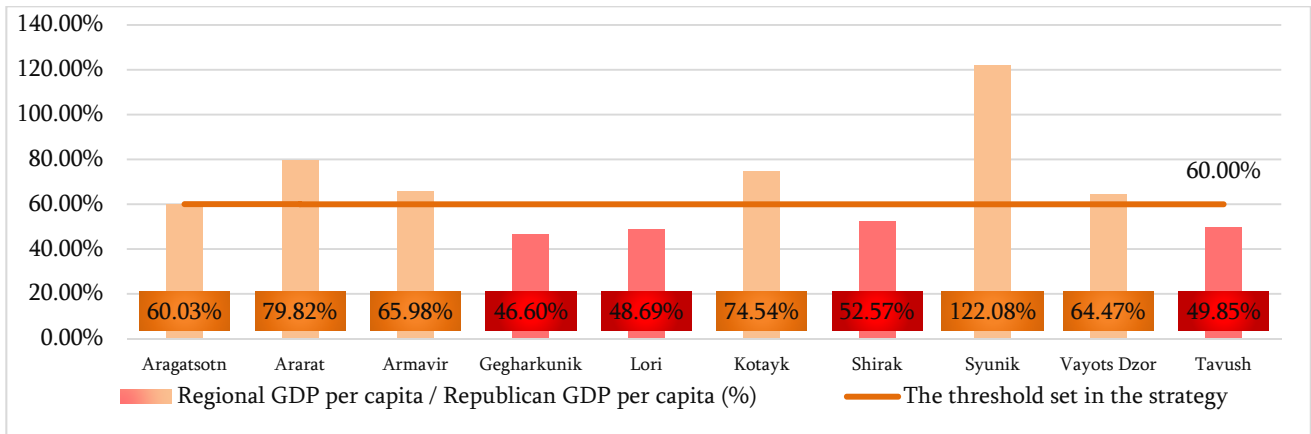


Figure 1. RA regional GDP per capita and republican GDP per capita in 2019 [3]

Looking at Figure 1, it becomes clear that as of January 1, 2020, the standard set by the RA 2016-2025 Territorial Development Strategy, related to the minimum relative GDP per capita, was met in only 6 out of 10 regions of Armenia. That is, problems with meeting this standard currently exist in 40% of the regions. What is more worrying, however, is that the ratio of these indicators of the regions with the highest and lowest GDP per capita is around 2.6. This means that, on a level playing field, even if the standard set by the strategy was met in all regions, the problems of balanced territorial development would still not be solved, as the provision of a minimum threshold does not yet ensure proportionality. This assertion is also supported by the fact that the RMSE / mean ratio of the observed series was about 32%, in other words, the deviation

from the mean is quite large. As a result, we can conclude that there is a problem with the definition of this criterion too: It was necessary not only to set a minimum threshold of the ratio of regional GDP per capita / Republican GDP per capita, but also a maximum, thus ensuring growth and proportion at the same time. That is, unlike the first criterion, in this case both the performance is not guaranteed and the standard is not set in the best way.

In addition to the fact that the standard set was not met as of January 1, 2020, it is also important to understand what the trends are in this indicator, only then it will be possible to assess whether the standard will be met by the end of the strategy or not. For this purpose, we will present the already studied indicator in dynamics for 2016-2019 (Figure 2).

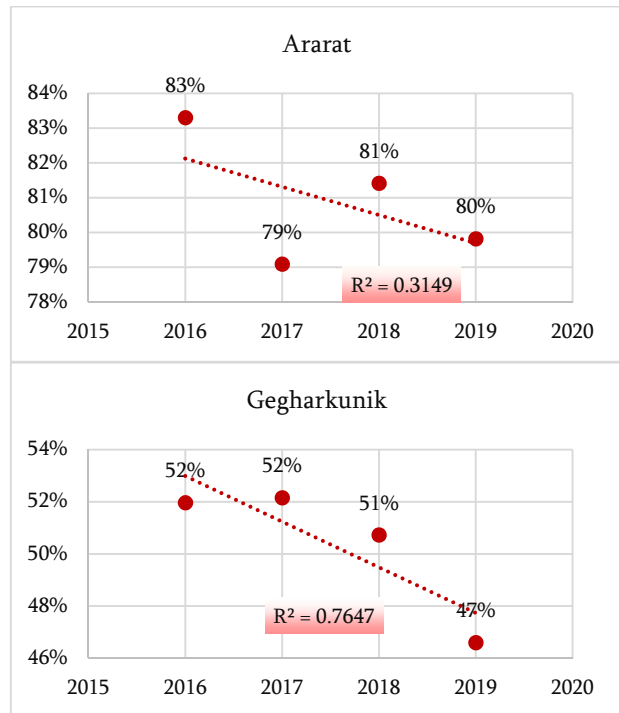
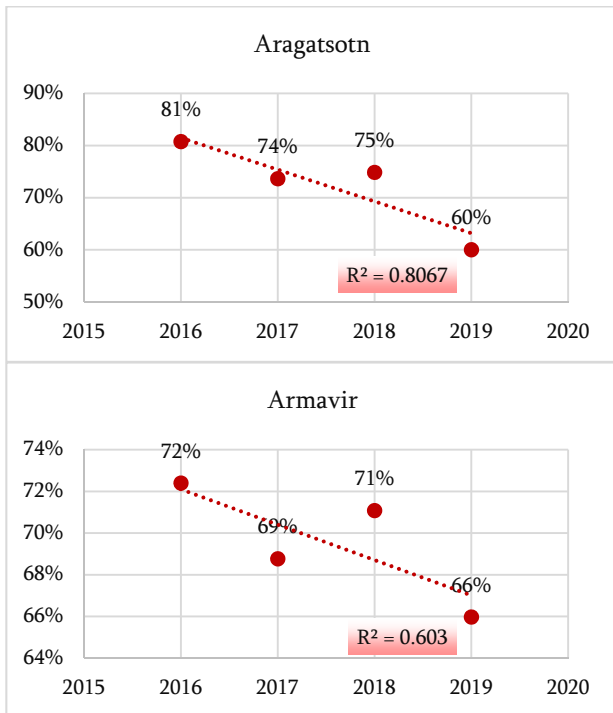




Figure 2. RA regional GDP per capita and Republican GDP per capita in 2016-2019 [3; 4; 5; 6]

From the data of Figure 2 it becomes obvious that in 7 out of 10 regions of Armenia the observed index has a tendency to decrease. Moreover, these trends are quite stable, as in 5 of the cases the deviation from the trend is quite small, as the R² index in these cases exceeds 0.5. It is only in three cases that the trend of changing of the index curves in a positive way, but in all three cases the deviation of the actual indicators from the trend is quite large, that is, in the case of these three regions it is impossible to predict a definite growth. These re-

sults of the study give grounds to conclude that the full implementation of the standard under discussion in Armenia by 2025 is not very realistic.

The second criterion of the RA Territorial Development Strategy for 2016-2025 also has a second component, according to which the GDP per capita of the regions should be less than 70% of the national GDP per capita for no more than 30% of the population of the regions. The corresponding performance for this criteria is presented in Figure 3.

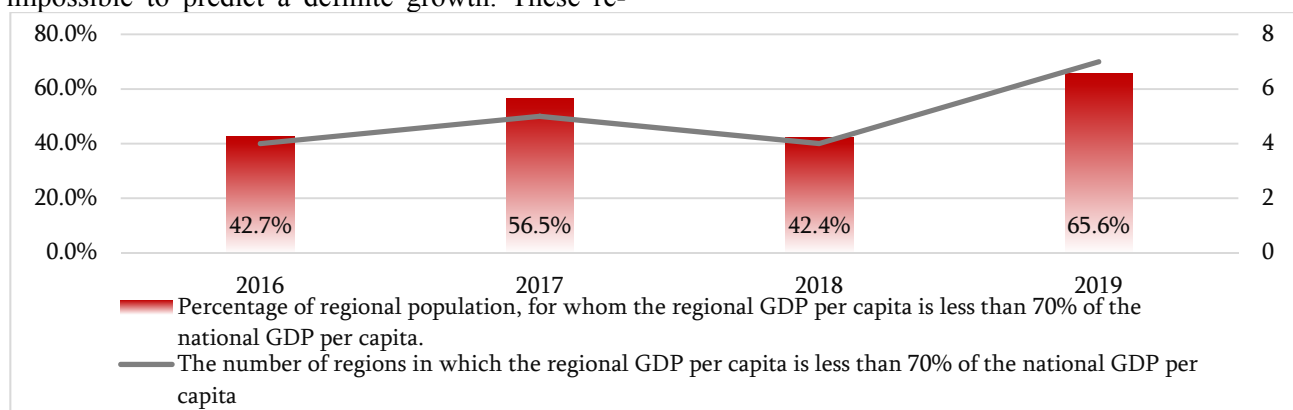


Figure 3. The share of the regional population in total with less than 70% of the national GDP per capita [3; 4; 5; 6]

Examining the indicators of Figure 3, it becomes clear that as of January 1, 2021, in the case of 7 out of 10 regions of Armenia, the GDP per capita was less than 70% of the same national indicator, which is the worst result of the whole period of the current strategy. Moreover, if we present the performance through the indicator required by the standard, it will become clear that instead of 30%, in the case of 66% of the RA regional population, we have a result lower than the required indicator. In this case, the result is the worst since 2016 and is far from the set standard. Thus, it becomes clear that the probability of complete performance for both components of the second criterion is quite small.

The third criterion for achieving the goals set by the RA 2016-2025 Territorial Development Strategy is the following: As of 2025, the number of people with secondary vocational and higher education in all regions, the number of those formally employed in the non-agricultural sector, and the number of active enterprises will increase by at least 10% compared to 2014. This formulation of the standard already has problems, in particular, it is

unclear why the comparative basis for the implementation of the 2016-2025 strategy was set in 2014 and not in 2015.

Let us now turn to the possible performance of these indicators. There is no public data on the number of people with secondary and higher education at the regional level, however, in order to identify possible trends, in this section of the study we will present the trends of change in the number of graduates of vocational and higher education institutions. Of course, the observed indicator is not directly related to the set criterion, however, it can give some ideas about the possible expectations. As this indicator is compiled at the regional level based on the data of educational institutions operating in the regions, but in practice the residents of the regions also receive education in Yerevan (this is evidenced by the fact that about 77% of the graduates of 2019 are graduates of educational institutions operating in the city of Yerevan), we consider it necessary to refer only to the tendencies of changing that index at the national level. The corresponding indicators are presented in Figure 4.

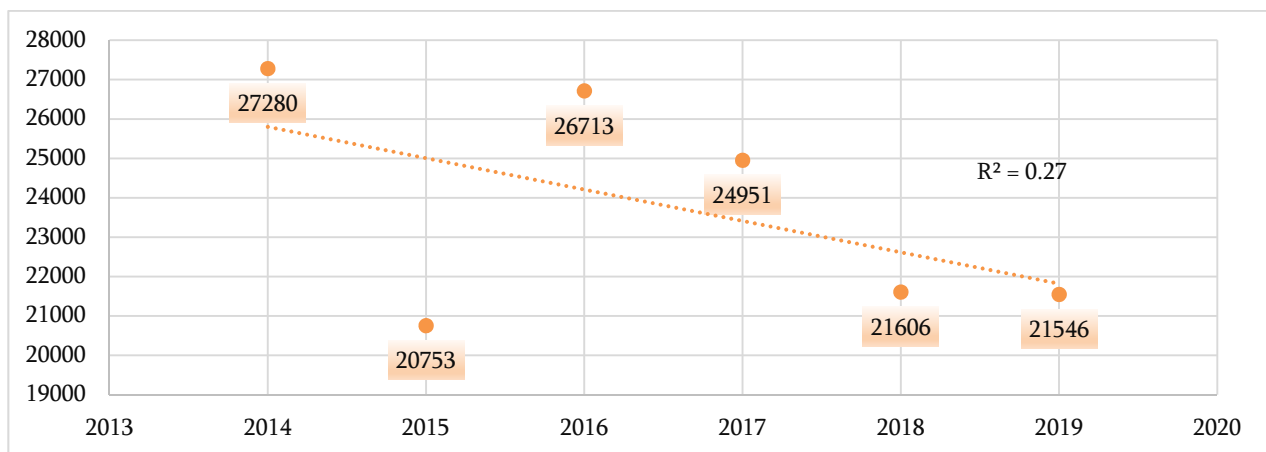


Figure 4. Number of graduates of secondary vocational and higher education institutions of the Republic of Armenia in 2014-2019 [3; 4; 5; 6; 7; 8; 9]

It is obvious from the data of Figure 4 that the number of graduates of secondary vocational and higher education institutions in Armenia has a decreasing tendency, moreover, that number has only been decreasing since 2016. The tendency of such a decline in other equal conditions gives grounds for questioning the possible fulfillment of the established criterion, as the decrease in the number of graduates creates a situation when the number of citizens with the educational degrees in question may decrease or not increase by at least 10%. If such a situation is registered in the Republic

of Armenia, then it becomes practically impossible to ensure the standard in all the regions of the Republic of Armenia. Therefore, to unequivocally expect that the standard under discussion will be met in 2025 is not an acceptable approach.

The next criterion refers to the change in the number of people employed in the non-agricultural sector, in particular, it is expected that in 2025 in all regions of Armenia this number will increase by 10% compared to 2014. This indicator and the trends for its change are presented in Figure 5.

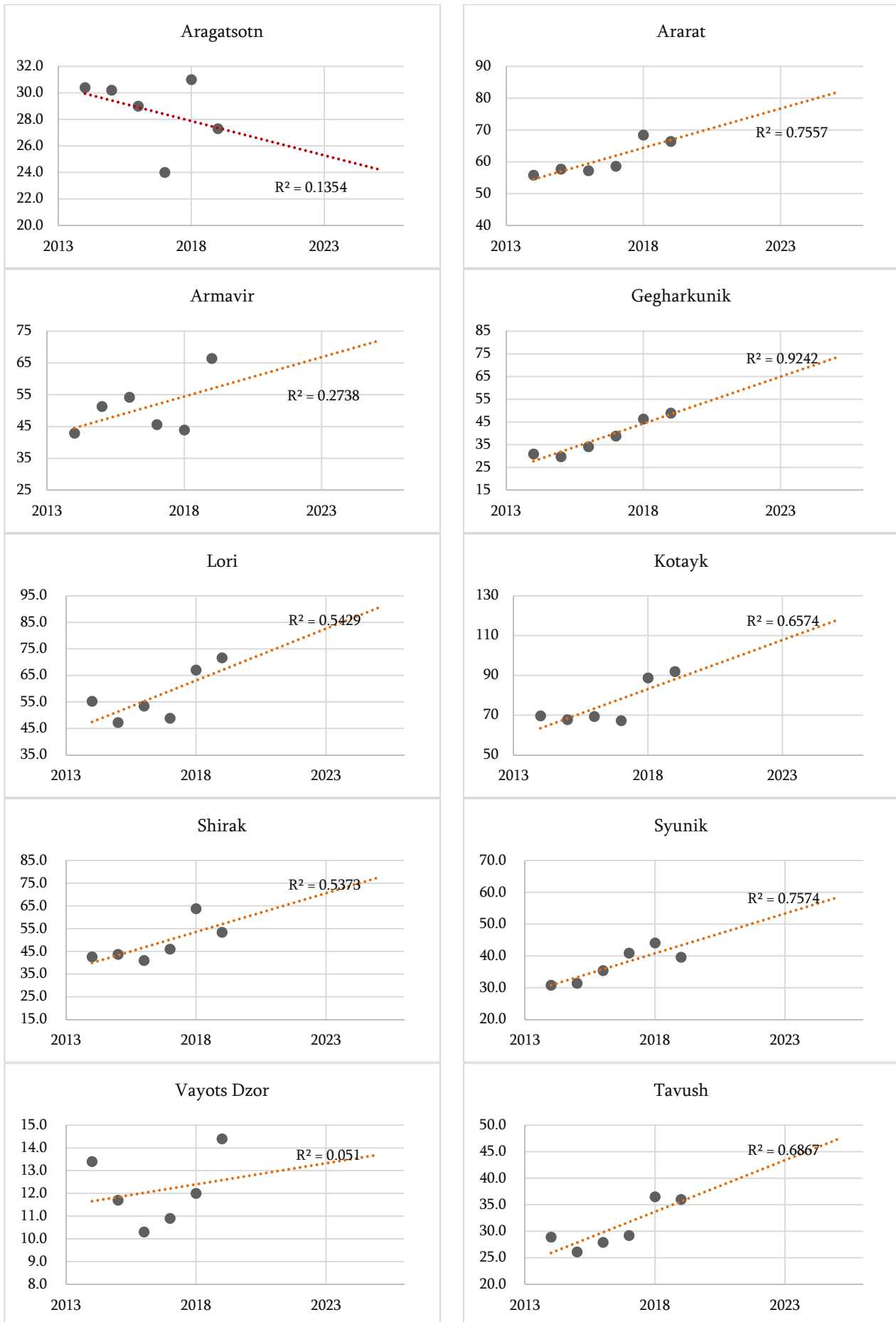


Figure 5. Number of non-agricultural workers in the regions of Armenia [3; 4; 5; 6; 7; 8]

It is clear from the data in Figure 5 that as of January 1, 2020, in the case of 8 out of 10 regions of the Republic of Armenia, the standard set by the strategy is fully met. Moreover, in case of making a linear dependence forecast based on the method of least squares, it becomes clear that the criterion set in 9 out of 10 regions will be met (see Figure 5, extrapolated trend), and the quality of those forecasts is quite high, as in 7 cases out of those 9 regions the distance of the actual indicators from the constructed trend is quite small. In other words, this

is the only one of the discussed criterias, when in 2025 a full implementation can be registered.

Now let's refer to the last sub-criterion defined by the strategy, according to which the number of active enterprises in all regions of Armenia should increase by 10% by 2025 compared to 2014. Public statistics on this indicator at the regional level have been conducted only since 2017, so we will study only the indicators for 2017-2020, which are presented in Figure 6.

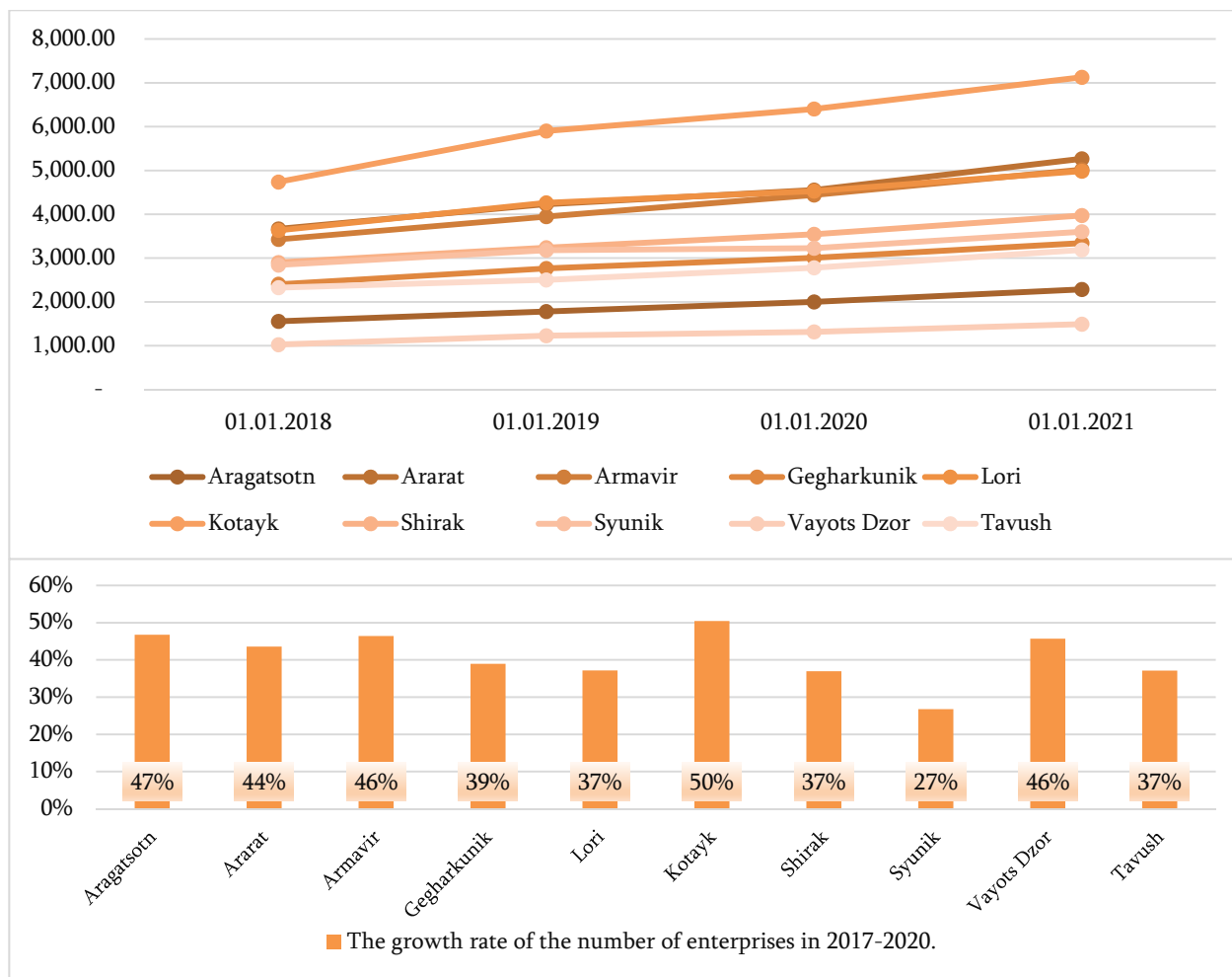


Figure 6. Number of enterprises in the regions of Armenia [10; 11; 12; 13]

Examining the data, it becomes clear that even in the case of January 1, 2021, compared to January 1, 2018, there was a large amount of overperformance, in particular, instead of a 10% increase, at least 27% cumulative growth was recorded in all regions. Such a situation gives grounds to claim that in 2025, compared to 2014, the parameters of this criterion will undoubtedly be fully met.

Conclusions: Summarizing the performance analysis of the vision assurance criterias set by the Territorial Development Strategy of the Republic of Armenia for 2016-2025, we can make the following conclusions:

1. The criterias for measuring the performance of the RA Territorial Development Strategy are not defined in accordance with the goals set by the strategy. In particular, in strategy there is a requirement to have a territorial development operational plan for 2017, but it is not stipulated that operational plans should be developed for the entire duration of the strategy. This omission contradicts the principle of strategic management hierarchy. In addition, the thresholds of the indicators in the criteria set by the strategy do not allow to ensure the implementation of such a priority as ensuring a high level of symmetry of development in the territories, as the definition of minimum thresholds does not

provide symmetry, as evidenced by actual indicators.

2. The minimum thresholds for GDP per capita are not met for both components of the standard. Moreover, the current situation mostly leads to deterioration. In this case, it is difficult to expect full implementation in this regard at the end of the implementation of the strategy. The problem with this criterion goes deeper: The observed indicator is the most key characteristic of socio-economic development, it contains much wider information than other indicators, but in the Republic of Armenia the relative tendencies of the indicator at the regional level are negative, and the results are deeply differentiated. That is, balanced territorial development is difficult to predict with these levels and trends of the index under discussion.

3. The situation is generally acceptable in terms of the number of people employed in the non-agricultural sector, those with secondary vocational education and higher education, as well as the number of current businesses, but the impact of this situation does not seem to materialize in the indicators set by Criterion 2. In this case, the direct connection of the indicators defined as a criterion with the vision defined by the strategy is questioned.

Thus, the situation characterizing the implementation of the RA Territorial Development Strategy is not the most effective, there are problems with both content and formal requirements. Therefore, it is indisputably necessary to change the existing approaches. This transformation should be expressed in the form of the adoption of the principle of strategic management adaptability: It is necessary to consider the strategy separately from the document as a tool through which sectoral issues should be solved, otherwise it will become a classic legal act without using the opportunities provided by it during the process of management. However, it should be noted that the presence of a strategic management system in the problem-solving process is already a significant enough positive phenomenon.

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