

## Development of Small Cities: From Individual Trajectories to Strategic Planning



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**Abstract.** The relevance of the study is due to increased attention to small cities and improving the quality of life, which is directly related to the strategic planning of small cities development, taking into account individual features. However, small cities in Russia are characterized by negative trends in the social and economic spheres. The aim of the study is to identify key areas of small cities development strategies, taking into account individual trajectories identified on the basis of expert assessments. The city of Kostomuksha of the Republic of Karelia, which is the administrative center of Kostomukshsky Urban Okrug, was chosen as the object of research. We use qualitative sociology methods, namely, the results of an expert focus group and individual interviews with representatives of government, business and non-profit organizations. We reveal problems in the social sphere typical for the city of Kostomuksha and for small cities in general: low level of accessibility of education and healthcare services, including personnel in these areas, migration outflow of young people, lack of renovation of housing stock. Regarding the stakeholders of territorial

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transformations, we find out that the main feature of Kostomuksha is predominant participation of large socially oriented businesses in addressing urban problems with rather weak participation of citizens. As a result of the research, we have identified new individual development trajectories: sports and wellness tourism, which must be taken into account in the development strategy of Kostomuksha. We conclude that it is necessary to design strategies for the development of territories, taking into account the opinions and activity of local communities, opportunities for collaboration of various actors in addressing social issues of small cities. The novelty of the research lies in expanding the methodological approach to strategic planning for small cities development using original tools of qualitative sociology – expert assessments of stakeholders in territorial development.

**Key words:** small cities, small territories, development strategies, socio-economic development, civic participation, individual trajectories.

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### Introduction

The relevance of small cities development in modern conditions is becoming more and more obvious, especially in the context of sustainable development archetypes. Small cities have long remained on the margins of economic processes, but in recent years, they have begun attracting the attention of public administration. Special support measures for single-industry towns, small and medium-sized settlements are being adopted, aimed at their priority development and improvement of the settlement system. The spatial development strategy until 2030 has the reduction of differentiation in socio-economic development of territories among the key objectives, including the level of infrastructure provision and availability of basic social services, primarily in relation to strategic settlements, small and medium-sized cities<sup>1</sup>.

Small cities have a unique potential (socio-cultural, natural-resource, recreational, labor, etc.), which can be realized through strategic planning. It is impossible to ensure the sustainable development that meets the interests of the local population and preserve cultural heritage without a well thought-out strategy. Strategic planning requires a comprehensive approach that includes analyzing resources, identifying growth areas and identifying key areas for investment. It is important not only to create basic infrastructure, but also to promote innovation, support small and medium-sized businesses, and develop social programs. In this context, an important aspect is the stakeholders' involvement, including local residents, in the decision-making process, which promotes greater responsibility for the future development of the territory. Thus, the development of small cities not only supports economic prosperity, but also strengthens social ties, creating conditions for sustainable and dynamic growth, which is necessary to ensure well-being at all levels.

Governmental structures and scientific circles actualize the issues of Russia's spatial connectivity,

<sup>1</sup> Concept of the Spatial Development Strategy of the Russian Federation for the period until 2030 with a forecast up to 2036. *Ministry of Economic Development of the Russian Federation*. Available at: [https://www.economy.gov.ru/material/file/85fb48440f79df778539e0b215af5345/koncepciya\\_strategii\\_prostranstvennogo\\_razvitiya\\_rf\\_na\\_period\\_do\\_2030\\_goda.pdf](https://www.economy.gov.ru/material/file/85fb48440f79df778539e0b215af5345/koncepciya_strategii_prostranstvennogo_razvitiya_rf_na_period_do_2030_goda.pdf) (accessed: September 25, 2024).

preservation and development of small territories (Uskova, Sekushina, 2021). Small cities and settlements are becoming increasingly attractive as strongholds of ecotourism, preservation and adaptation of folk crafts to the requirements of modern life. Researchers emphasize the new Russian trend of urban residents moving to villages and small cities (Zvyagintsev, Neuvazhayeva, 2015). At the same time, the “new wave” of migrants is qualitatively different from the first wave of the 1990s, as the mobility of the population is preserved, and the share of urban residents who moved, their human capital and resource endowment are sufficient to initiate positive changes in small territories.

The factors common to small cities that have a negative impact on their development and quality of life are manifested in various aspects: demographic and socio-economic, limitations of the social sphere and labor market problems, insufficient comfort of the urban environment (Smoleva, 2023). The low level of socio-economic development of such cities is due to the problems of resource provision, single-industry economic structure, and low competitiveness<sup>2</sup>. Small cities with additional development risks are widely represented: remote areas with low transport accessibility, areas with unfavorable climatic conditions, single-industry territories (Volkov, Simakova, 2022). In this regard, a special role is assigned to the management of territory development, the formation of individual development trajectories, and the use of strategic planning tools. Moreover, it seems necessary to follow the path from particular to general – from the identification of individual trajectories, taking into account the specific development problems and advantages of a particular territory, to the elaboration of a long-term strategy for its development.

<sup>2</sup> Starovoitov V.G. (2005). Formation of a modern strategy for the development of small cities: Doctor of Sciences (Economics) Thesis. Moscow.

Taking into account the above-mentioned, the purpose of our study is to identify the key directions of small city development strategies taking into account individual trajectories identified on the basis of expert assessments. The research was carried out on the example of Kostomuksha (Republic of Karelia) using the toolkit of expert assessments of territorial development stakeholders.

### **Theoretical and methodological foundations of the research**

The scientific discourse discusses various aspects of strategic planning for the development of small territories, particularly cities. In the economic context, the focus is on economic diversification, in the social context – on the social sustainability of local communities (Boschma, 2017; Kalyuzhnova, Violin, 2020; Eferin, Kutsenko, 2021). As studies show, economic diversification is one of the effective tools for sustainable development of the territory (Klimanov et al., 2016), the basis for it is the availability of human resources, transportation infrastructure, energy capacity, opportunities to attract investment. Therefore, quite often the presence of these factors ensures the development of industries related to the established ones in the region (linked diversification). The development of unrelated industries (unrelated diversification) requires, in addition to the above resources, the availability of labor force with new qualifications, new infrastructure and a larger amount of financial investments. When choosing the type of diversification, both available resources and opportunities for economic growth (effect) and risks related to the chosen direction of development are taken into account.

However, for single-industry territories the choice of diversification type (linked or unlinked) and the search for new directions of economic specialization of the territory are significantly complicated. On the one hand, narrow specialization and linked diversification increase susceptibility to economic crises (Krugman, 1993),

on the other hand, unlinked diversification carries the risk of dispersion of resources, which are already limited for small, especially single-industry territories.

The territories' development is associated with the attraction of investment funds and qualified personnel, inclusion in projects of regional and federal levels, increasing the tourist attractiveness of the place. The main factors concerning development of small settlements include developed human capital, culture of urban community, developed communications, and urban innovation system<sup>3</sup>. In recent years, it has become actual the study of the possibilities of applying the concept of smart specialization for the formation of territorial development strategies (Eferin, Kutsenko, 2021). The researchers' attention also focuses on the issue of choosing the optimal strategy of long-term planning against the background of sustainable depopulation of small and medium-sized cities in Russia (Gunko et al., 2020). The research shows that it is difficult to maintain the mode of growth and economic development in conditions of limited resources, so in the case of urban shrinkage the strategies of struggle to return to growth or adaptation to contraction are chosen (Hospers, 2014).

The second issue to be solved when choosing strategies for the territory's development is the problem of inter-municipal cooperation. Based on the available resources, the authors chose integration or competition with neighbors, individual development path or mixed-type development (Eferin, Kutsenko, 2021, p. 85).

Strategic planning is based on two processes: analysis of the features and factors concerning the object's development on the basis of available factual data and identification of possible

development directions (individual trajectories). Individual trajectories are not a full-fledged development strategy, but represent unique specific points of growth for a particular territory. Their identification becomes the first stage in the formation of the territory's development strategy, taking into account the opinions of all development subjects and stakeholders.

From this point of view, an additional paradigm in the research of small cities can be the socio-spatial and stakeholder approaches, focused on studying local communities, which show a special subjectivity in solving social problems of territories (Chernysh et al., 2020; Eferin, Kutsenko, 2021). The significant role of stakeholders in strategic planning of territorial development is justified by the fact that they act not only as bearers of isolated interests, but also as owners of certain resources (Tazhitdinov, 2013). Stakeholders of spatial transformations are representatives of the government, business community, public associations, non-profit organizations, state/municipal institutions, solidarity groups and individual citizens (Markin et al., 2019; Kosygina, Ukhanova, 2024). The research shows that development planning at the local level requires a bottom-up approach that increases the impact of actions (Moallemi et al., 2021). Local actors and populations have strong ties to the territory of residence, knowledge of the main problems necessary to develop local solutions (Manzo, Perkins, 2006).

How is the request for the involvement of residents in solving social problems and urban development represented in municipal programs? From this point of view, it is interesting to look at the results of A.A. Popkova's research, which conducts a content analysis of strategies for socio-economic development of small territories. The author made a general conclusion about the "underdevelopment of demanded organizational mechanisms in the system of territory development management" and the absence of the authorities' vision of the

<sup>3</sup> Starovoitov V.G. (2005). Formation of a modern strategy for the development of small cities: Doctor of Sciences (Economics) Thesis. Moscow. P. 7.

population as an initiative subject (Popkova, 2022, p. 114). Studies of civic participation practices in the Vologda Region also confirm that, despite the high potential readiness of small cities' residents to participate in solving common issues, the level of real participation should be assessed as rather low (Kosygina, 2023, p. 219).

At the same time, Federal Law of the Russian Federation 172-FZ "On Strategic Planning in the Russian Federation" dated June 28 2014, which regulates the issues of strategic planning, defines only local self-government authorities and municipal organizations as strategic planning participants at the municipality level. The actual existence of a centralized planning system noted by researchers makes it difficult to elaborate development strategies (Batunova, Gunko, 2018).

However, methodologically and methodically, the process of defining, accounting and identifying the stakeholders' interests in the formation of strategic priorities of socio-economic development of small cities requires further scientific support. In the absence of complete municipal statistics, sociological surveys and expert assessments of stakeholders are used (Kuznetsov et al., 2020).

To determine individual trajectories of territories' development with subsequent orientation on the development strategy, it is necessary to analyze the problems and competitive advantages in the social and economic spheres of a small city, to assess the ability of business, government and local community collaboration to solve the identified problems. In this regard, it is of scientific significance the research and substantiation of effective mechanisms of strategic development of small territories, including on the basis of activating the potential of the local community.

### Materials and methods

We chose Kostomuksha as the research objects, which is the administrative center of the Kostomuksha Urban Okrug and can be classified as a small city. The population of Kostomuksha is 26.5

thousand inhabitants<sup>4</sup>. In this regard, small cities are considered according to the established approach depending on the population and specialization. In Russia, small cities include cities with a population of 10–50 thousand people with non-agricultural specialization of the economy: industry, trade, and service industries (Makarova, 2017).

The main town-forming enterprise of Kostomuksha is AO Karelsky Okatysh, which is part of PAO Severstal, a major steel and mining company. In 2024, Severstal and the charitable foundation Dobrota Severa with the support of the Kostomuksha Urban Okrug launched the Kostomuksha Integrated Development Program. Small and medium-sized businesses play an important role in urban development in addition to large enterprises. According to Rosstat, the number of small and medium-sized enterprises per 10 thousand people in Kostomuksha is 373 units<sup>5</sup>, and the share of the average number of employees of small and medium-sized enterprises in the average number of employees of all enterprises and organizations is 19.7%. According to the methodology of the Center for Urban Economics KB Strelka<sup>6</sup>, Kostomuksha belongs to the first group with a sufficient number of SMEs (more than 32 per 1,000 inhabitants) and the presence of conditions for their further development<sup>7</sup>.

Researchers note a relatively favorable demographic situation in the city with certain problems in the labor market associated with a decrease in the share of working-age population

<sup>4</sup> Municipal statistics. Territorial authority of the Federal State Statistics Service for the Republic of Karelia. Available at: <https://10.rosstat.gov.ru/statistic> (accessed: July 12, 2024).

<sup>5</sup> According to the results of the continuous observation of the activities of small and medium-sized enterprises for 2020.

<sup>6</sup> The Center for Urban Economics of OOO KB Strelka conducted a study of SME development in small Russian cities in 2021, which resulted in a ranking of territories. It included 1,117 cities.

<sup>7</sup> *Business in the City: Small and Medium-Sized Entrepreneurship in Russian Cities* (2021). Moscow: KB "Strelka".

and lack of qualified personnel (Simakova et al., 2023, pp. 155–157). However, it is worth noting an outlined decrease in the population from 2021 from 30 thousand people in 2020 to 26.5 in 2021–2024<sup>8</sup>.

The municipality's feature is its character: first, it is a single-industry city, and second, it is a city that is part of the Arctic zone of the Russian Federation. These features form significant risk factors for its sustainable development (Volkov, Simakova, 2022). On the other hand, Kostomuksha has two parallel regimes that give certain preferences to business representatives: the territory of advanced socio-economic development and the territory included in the Arctic zone of Russia<sup>9</sup>. These statuses should become a resource for attracting investments into the territory's economy and creating new enterprises and new jobs.

Thus, the data analysis shows that Kostomuksha has all the prerequisites for successful development under the condition of a comprehensive approach to solving the existing problems and using the noted advantages of the city on the way to improving the quality of life of its residents.

The research is based on the methods of qualitative sociology. We conducted one focus group with the expert community of Kostomuksha and a series of expert individual interviews using the developed methodological toolkit to analyze the existing social problems in more depth and identify individual trajectories of the city development in 2024. Ten experts took part in the focus group discussions, and nine individual interviews were held (three each with representatives from three spheres – government, business, and non-profit sector).

<sup>8</sup> Municipal statistics. Territorial authority of the Federal State Statistics Service for the Republic of Karelia. Available at: <https://10.rosstat.gov.ru/statistic> (accessed: July 12, 2024).

<sup>9</sup> Kostomuksha: plans, prospects, results. Available at: <https://64parallel.ru/gorod/kostomuksha-plany-perspektivy-rezultaty/?ysclid=m14noag8x2803112691> (accessed: July 12, 2024).

Individual interview method is a formalized personal interview using standardized tools with an expert representing the reference group to determine their main positions and attitudes to the problem under consideration. Focus group method is an informalized interview with the use of non-standardized tools in the form of a group discussion. We put up four blocks of questions for discussion: “local identity”, “socio-economic situation of the territory”, “directions of territory development”, “resources and subjects/actors of territory development”.

We carried out the search for informants for the focus group by the “snowball” method among territorial development stakeholders from three sectors – government, business, non-profit sector, which allowed comparing positions and identify common trends in evaluative judgments. We transcribed interviews and focus group discussions, and then selected statements related to the research problem according to their semantic context.

### **Research results**

#### ***Problems and competitive advantages of the city in social and economic spheres as starting conditions for strategic planning of territorial development***

We should say that residents have positive connotations regarding their place of residence, the presence of local identity based on socio-cultural dominants, at the same time related to the physical environment itself: “For me, the city has always been associated with comfort... in our city, for example, everything is beautiful for me” (E1). “Nature is very close to me and Karelian culture” (E5).

Experts note such advantages of a compact area as accessibility, comfort, the possibility of closer communication with other residents of the city, when “you are in full view of everyone”, which creates a safe environment and community cohesion, where residents find support and help from their immediate surroundings: “So we really have some special people due to the fact that the

city is really small, we practically know each other, we know each other, so it is easier to do many things together. Always come to help, always support” (E6). “Everything is compact, everything is really within walking distance here. And due to this a lot of time is saved” (E6). “I think, it is perfect to raise and educate children in our city. It is comfortable and safe. Where else can we let our child go safely and know that nothing will happen to them” (E8).

The city has successfully blended in with the surrounding nature, providing residents with the opportunity to enjoy the forest within walking distance. “Also, it is the forest, mushrooms, berries. You can walk around the city and pick mushrooms” (E5). A separate emphasis is placed on the absence of environmental problems: “We drink tap water. So, what environmental problems can there be” (E5). “Specialists from Saint Petersburg (research institute) came to take samples and said that there are no problems in principle” (E4). “There are 17,000 cars for a city of 26,000 people and yet we have mushrooms and berries growing in the city” (E6).

The comfort of living in Kostomuksha is confirmed by the urban environment quality index, which in 2023 is 202 points, which is higher than the borderline 180 points and corresponds to favorable living conditions. They include the following, housing is 36, street and road network – 39, landscaping – 32, public and business infrastructure – 29, social and leisure infrastructure – 30, citywide space – 36 points. Of the private indicators, it is only the level of public and business infrastructure development that is below the norm. In the region, Petrozavodsk has the highest index of comfortable urban environment according to the results of 2023 (247 points), but it has a different status – the capital of the republic and a large city. Among small cities, Sortavala has higher indicators of urban environment comfort (226 points). We would like focus on such private indicators as

street and road network – 43, landscaping – 44, public and business infrastructure – 44, social and leisure infrastructure – 35 points<sup>10</sup>. They could be considered as guidelines for building a development strategy of the Kostomuksha Urban Okrug

Against the background of favorable environmental conditions and comfort of the city, experts note unresolved problems in the social sphere. Most often people speak about them as negative factors hindering development. First of all, experts name the low level of accessibility of services in education and health care, which affects demographic processes, migration outflow of young people and increase of human capital, as limitations for comfortable life.

On the one hand, the lack of opportunities to get a good education encourages young people to leave for big cities, on the other hand, employment problems force them to return to their hometown: “If we talk about young people, first of all, it’s a stereotype because you have to go (like to Moscow), so it’s automatic, parents put it in their heads. Of course, we have one disadvantage – there is no higher education institution. So, of course, people leave it for education. But I want to say that the latest trend is that many people, having studied, come back without finding a job” (E3). “There are not enough young people in the city” (E7).

Climatic conditions are one of the most frequently noted negative factors affecting the health of the population and contributing to the change of place of residence: “Northern peoples are more likely to suffer from depression, probably because there is a polar night, polar day, and this somehow affects human biorhythms, and when we have a small amount of sun, and you wake up in the morning and want to see the sun, and it is still dark.

<sup>10</sup> Urban Environment Quality Index is a tool for assessing the quality of the material urban environment and the conditions of its formation. Results for 2023. Available at: <https://xn----dtbcccchtsypabxk.xn--plai/#/> (accessed: July 22, 2024).

In fact, you don't see white light in winter when we have polar night" (E3). "I want to go to a place with more comfortable climatic conditions, if such conditions exist" (E7).

Residents attribute the problems in the social sphere of the city to insufficient staffing: "We have one big problem everywhere, both in health care and in education – it is a shortage of staff. We have teachers now on average working at 1.7 rates. The situation in health care is similar. Even the provision of housing is not the basis for professionals to settle here. They come, work for a while and leave" (E2).

The features of the housing sphere in Kostomuksha are the absence of municipal housing and multifamily housing construction, despite the availability of space: "We do not have it, and what we have, it is already provided for use, service or commercial rent. And nothing has been built for many years, the private sector is developing" (E2). "Yes, we have plots for the construction of high-rise buildings. Contractors do not want to come in, there are no developers" (E6).

We should say that there is an ambivalent attitude toward the enterprises operating in the city, as, on the one hand, they negatively affect the comfort of living in terms of ecology, and on the other hand, they provide jobs and salaries: "But nevertheless, residents complain that the water has worsened with the opening of trout farm" (E2). "Well, there is a balance here, but the trout farm provides a large number of jobs with very decent and competitive salaries" (E6).

Statistical data also testify to a fairly favorable situation with the population's income in Kostomuksha. The volume of social payments and taxable cash income of the population on average per 1 resident in the Republic of Karelia in 2023 amounted to 534 thousand rubles, in Kostomuksha – 699.8 thousand rubles. The average monthly salary of employees of organizations was 96.4 thousand rubles in 2023, which is significantly higher than

the average data for the Republic as a whole (70 thousand rubles)<sup>11</sup>.

Some of the problems are common to the social sphere of many cities, especially with regard to the support of socially vulnerable segments of the population. For example, it concerns the issues of assistance to large families, which is enshrined in the regulations, but the funds for provision are allocated in insufficient amounts: "Another problem is the lack of infrastructure on the plots that are given to large families. The plots are allocated, it is necessary to provide infrastructure" (E3). "There is no electricity, water, communications. All this is expensive if we do it ourselves" (E7).

Experts see the main reason for the lack of opportunities to solve social problems in the limited budget revenues. "It is not a subsidized district, city. We spend what we earn. Naturally, what we earn goes to fulfill social obligations. And it is for the development of something that we do not have enough money" (E1). "We do not have money for infrastructure in the budget, it requires very large sums. This is also a problem" (E4).

The features of Kostomuksha's economic development are due to its specifics – it is a single-industry town where the town-forming enterprise Karelsky Okatysh is a part of the mining division of the world's largest steel and mining company PAO Severstal.

Before the economic sanctions imposed by unfriendly countries, the city had a well-developed timber industry, transportation, and cross-border trade. However, these industries are now facing serious problems due to changes in the market and economic conditions: staff cuts, job cuts, fewer orders, idle space: "We used to have an agro-complex in the city. We had our own greenhouses

<sup>11</sup> Municipal statistics. Territorial body of the Federal State Statistics Service for the Republic of Karelia. Available at: <https://10.rosstat.gov.ru/statistic> (accessed: July 12, 2024).



at Okatysh, but now everything is closed. We also had our own brewery” (E7). “There is a problem with the organization OOO Aek Group, which made wiring for heavy trucks, but due to sanctions a significant part of the staff was cut. The enterprise is working, but with fewer people and significantly fewer orders” (E1). “Aek faced the problem that they also did a lot of machining for Volvo. They had more than 1,000 people working for them and now they have 150. Now large areas are idle” (E4). “The timber industry, of course, was the most affected and the organizations that carried out trucking”.

The border situation has had a significant impact on the city’s economy, the flow of tourists has decreased, and there is a negative impact on the retail and restaurant business. “Yes, we have been hit very hard by the border situation. At least “shopping” tourism has flourished, and “restaurant tourism” too” (E6).

There are objective barriers in the form of lack of necessary resources for the development of production and social sphere of the city: power capacities, professional staff, infrastructure, transportation accessibility. “The big problem is the lack of free power capacities. A new industrial enterprise can’t even build, can’t organize production because there is a real lack of capacity. The problem is the lack of hotels” (E6). “Taking into account that we do not actively develop tourism, the hotel network that we have today is quite enough. But if we are talking about development, it is necessary to build a hotel complex” (E1). “An airport by 2030. We have entered the federal program. Lengthening the runway for medium jets” (E5). “We were talking about the airport and they are demanding railroads and trains, we have reduced the number of trains, flights to 2 per week now” (E6). “The city roads are still in poor conditions” (E1).

Thus, the city is facing serious challenges that require multifaceted approaches and solutions to restore economic prosperity and create new

opportunities to support industries that previously played a defining role in urban development.

#### *Urban development management: actors’ participation in solving social problems*

Experts note that the small size of the settlement provides a number of advantages in urban management: “Our roads have started to fail. Literally, it will only be a short time, it will be drier, and we will see the same comfort again. These holes on the roads will no longer be there. I think the head of our city reacts to such moments quite promptly. Such a compact and small city is easy enough to manage” (E4). However, the advantages of a compact area are offset by insufficient funding for the development of the territory.

There is also a lack of balance in the activity of actors involved in solving urban problems. The main feature of Kostomuksha can be attributed to the participation of socially oriented business in solving urban problems with rather weak participation of citizens.

Experts noted the inactive participation of residents in solving social problems and developing the urban environment: “Territorial public self-government is poorly developed in our city. We need to start from ourselves, from our own yard, where we are close to each other” (E2). “There is a backbone – active people. I would not say that there are a lot of them” (E6). “We don’t have very active residents. It is hard to sway and raise them. We are more like “sofa critics” (E4).

The population does not take an active part in the working out of the city development program or projects related to initiative budgeting: “Voting for comfortable urban environment... We have to persuade everyone to vote. 2800 people voted” (E6). “Units who are ready to propose some project and participate with it” (E1).

Among the population, young people stand out with low activity: “Our working youth is inactive, unorganized. Somehow it turned out that it was missed and only now it is all starting to revive” (E1).

At the same time, we should note that there is a potential for the development of civic participation because when acute social conflicts arise, the population consolidates and actively defends its interests: “Do you know where they actively joined in? When the issue arose that we could put containers for garbage collection, because the legislation changed and the rego-operator came. Here, of course, people showed their activity. We have a unified position in the city as a whole – we do not want containers, we do not want rats, we do not want to breed dirt” (E1).

There are cases when the low activity of the population is due to their lack of awareness: “If we talk about a comfortable urban environment, then technically it is inconvenient. But we tell people that you are whining that you have potholes in the adjacent territory, but the guys from the neighboring yard came to the department of construction and repair, they were helped to make a project. And some of them go to participate. Last year there was a “bloody” selection in the comfortable urban environment of the adjacent territories, nostril to nostril” (E6).

Studies testify to the active role of non-profit organizations (NPOs) in the development of territories. NPOs act as a tool for attracting grant funds and an aggregator of non-financial resources, a channel for articulating the interests (needs) of the local community, an activator of civic initiative (Mersyanova, Benevolenskii, 2016; Chernega, 2020; Salamon, Toepler, 2015). However, there are disparities in the development of the sector of these organizations between large and small cities, which is confirmed in the Republic of Karelia. According to the Ministry of Justice of the Russian Federation, 953 organizations are registered in Petrozavodsk, and it is only 43 in Kostomuksha, by organizational-legal form religious and public organizations prevail<sup>12</sup>. The limited number of

<sup>12</sup> Data of the Ministry of Justice of the RF. Available at: <https://minjust.gov.ru/ru/> (accessed: July 22, 2024).

operating non-profit organizations affects their activity in attracting federal budget funds. Within the framework of the Presidential Grants Fund competition since 2017, only one project of the autonomous non-profit organization autonomous ethno-cultural center “Severia” has been supported for an insignificant amount of 496,890 rubles. At the same time, 19 social projects were supported totaling more than 42 million rubles in the large city of Petrozavodsk in 2023<sup>13</sup>.

This trend can be traced in the expert opinion as well. We noted that the influence of public organizations is insufficient during the focus group. NPOs’ activities operating in the city are most often aimed at preserving Karelian culture. “We have few working NPOs in Kostomuksha. There are registered ones, but they do not work at all” (E2). “Severia” and “Spinning”, “Archip Perttunen Foundation” are active and that’s all. There is no comprehensive work. If we joined forces, we would solve this problem together” (E5). According to experts, low activity is due to the lack of resources of NPOs: “There is an opinion that NPOs should earn their development through grants” (E6). “There is a lack of premises– houses for NPOs” (E2).

The passivity of public associations and citizens may be partly due to the active position of socially oriented business, as Kostomuksha urban district belongs to the cities of presence of PAO Severstal, which together with the charitable foundation Dobrota Severa with the support of the administration is implementing a program of integrated development of the settlement. “I don’t even have enough hands to count the latest implemented projects jointly with Karelsky Okatysh. Take preschool education, kindergartens, cultural institutions – they always support, support schoolchildren on some outings. Sports are very

<sup>13</sup> According to the Presidential Grants Foundation for all competitions held by the Presidential Grants Foundation since its launch on April 3, 2017. Available at: президентскиегранты.рф (accessed: July 20, 2024).

actively supported, our sports school” (E5). The strengths of the program include the preparatory stage, when the urban environment quality index, opinions of federal experts in the field of urbanism and city residents were taken into account. The most problematic areas of urban development are included in the objectives of the program: health care, landscaping, and youth education. Severstal will allocate more than 200 million rubles to implement the program in 2024<sup>14</sup>. The new development areas will complement the traditional programs of measures aimed at improving environmental safety: “GOK has a large environmental program, various treatment facilities throughout. Emissions into the air are filtered” (E6).

At the same time, we should remember that small territories rely on small and medium-sized businesses for their development. Interviews with experts revealed differences in the views of the population on the representatives of small and medium-sized businesses depending on their social position and division into “friend-or-foe”. This is well traced in relation to entrepreneurs who are engaged in fish farming and harvesting berry and mushroom products. Positive connotations are observed in statements about the activities of a local entrepreneur – “trout breeder” who is interested in preserving the environment and solving social problems: “In addition, the entrepreneur has a social burden. He helps a lot in the maintenance of the village. And he is also very often involved in supporting children and social projects” (E7). Residents demonstrate a completely different attitude toward businesses “coming in from outside”: “Our municipal control department fights with them. They report on the issue of trout breeders at every meeting” (E6). “But they are not socially responsible. Oppositional to the society and to the city” (E1. Note: Concerning berry processing enterprises).

<sup>14</sup> Severstal will allocate more than 200 million rubles for the development of Kostomuksha in 2024. Available at: <https://severstal.com/rus/media/archive/severstal-napravit-bolee-200-millionov-rublej-na-razvitie-kostomukshi-v-2024-godu/> (accessed: July 22, 2024).

As a result, we see an imbalance of power when it comes to solving urban problems. With a strong and interested position of big business, population activity, NPOs, small and medium-sized businesses are reduced. In this regard, the question arises about the choice of urban development strategy and the actions of stakeholders because in case of reduced profitability or the closure of the town-forming enterprise due to the depletion of natural resources, the territory will face the degradation of the economy and social infrastructure, reduced quality of life and population outflow.

#### *Promising development directions of Kostomuksha Urban Okrug*

The benchmark for the strategic development of the border area in difficult socio-economic conditions should be the possibility of forming a territory with a high potential for building a new economy. Economic restructuring is associated with the re-profiling of enterprises and reorientation of existing enterprises to other sales markets. According to experts, these processes have been launched: “Okatysh served the company Zeppelin, it is not working now either. But others have entered this niche. There was also a company Sumitec International, they served their competitor corporation Komatsu Ltd. It was a Russian-Japanese enterprise. They also left Kostomuksha, and the employees were transferred one day to OOO Instroy Tech Com, if I am not mistaken. This is also a large network in Russia, they are distributors of this equipment (quarry equipment and equipment in general). Here, all the employees just left to other contractors who came to take their places” (E6). “Earlier in Soviet times Belazy (Belarusian automobile plant) were the only plant, then Caterpillar, Komatsi appeared. Now Caterpillar and Komatsi have moved away and Belazs are being assembled again; 27 Belazs were assembled at Okatysh during the year. They are assembled right here, as they are huge and cannot be transported in parts” (E7).

The experts identified the following as the main barriers to the emergence and development of new economic enterprises and specializations: lack of necessary resources and lack of sense to create large enterprises in small territories: “Lack of electricity capacity. This is such a big problem that discourages us” (E3). “And our city is small enough to build large-scale events” (E7). “Lack of skilled labor. Even our industrial enterprises, large and not large, say that it is difficult to find staff” (E1). These problems are partly alleviated. For example, to solve personnel issues, AO Karelsky Okatysh launches its own programs on the basis of educational institutions of the city: Karelsky Okatysh raises its personnel at the Kostomuksha Polytechnic College. They actively cooperate, update equipment, the college updates educational programs. And the students have to undergo practical training at Karelsky Okatysh with a guarantee of further employment. The guys even study, then go to serve in the army for a year and return with a guarantee of employment” (E6).

The local authorities quite often link the strategic development of the territory with the tourism development, which is supported by the trend for domestic tourism under the effect of sanctions. However, the tourism industry relies on developed infrastructure, so it is not worth choosing the territories with low potential for economic development as a direction of its development. The choice of sports and health tourism as new directions of development in Kostomuksha is based on the existing experience of providing services in this sphere: “If we are talking about the long-term perspective and if this is a single-industry town and resources are exhaustible, then naturally some kind of production should be opened here. If we are talking about the short-term perspective, it is the tourism sector, biathlon development, air travel. It was said that we are ready to allocate a land plot in Karelia to build a year-round center for children. This issue is hanging in the balance yet, but in fact

it is a good stimulus for development, it is new jobs, children could get healthy here, considering what kind of air we have” (E1). “A health center is possible. Radon baths. That is the prospect of wellness tourism” (E2).

Another mechanism of territorial development is economic integration of territories. However, according to experts, municipal authorities should not choose the path of rapprochement with neighboring territories. If there is a reliance on the existing enterprise AO Karelsky Okatysh, which participates in solving urban problems, the residents feel more secure than, for example, the population of neighboring districts. Therefore, they have no intention to unite with other entities to jointly solve social problems and build development strategies. For example, with regard to the idea of uniting with the neighboring Kalevala District, the following opinions were expressed: “We do not want to unite with anyone, sorry” (E5). “They are subsidized. What do we need them for? They are used to begging. How much can we drag?” (E6). “It is necessary to work and manage locally, not to enlarge territories” (E3).

The possibilities of resource provision for solving social problems are seen in regulating the issues of replenishing the city budget through agreements with the leadership of the Republic of Karelia: “We have an unfair distribution of income. Taxation all goes there” (E6). “Taxes were returned to us, and we lived on self-sufficiency. In such cases we could say that we could run our own economic activity, without subsidies. At least with current problems, roads we could cope with building roads” (E2). Thus, given the current state of affairs, experts do not see any financial grounds for the development of the territory beyond the implementation of the development program at the expense of subsidies from PAO Severstal.

Therefore, despite the trends of increasing differentiation of regional development and depopulation of small territories, small towns have

a rather important role in the socio-economic situation of the country, preservation of territorial unity and security of the state, which is reflected in the main provisions of the Spatial Development Strategy of the Russian Federation for the period until 2025 and the Concept until 2030. Each territory has a certain potential, which is reflected in its strategic management and choice of the way of possible development or adaptation to the existing socio-economic conditions.

#### **Discussion of findings and conclusions**

Comparison of the main provisions of the socio-economic development Strategy of the municipal formation "Kostomuksha Urban Okrug" up to 2030 with the research results showed the presence of numerous points of contact in the list of key problems and main directions of the territory development. Let us dwell on those provisions that are either not addressed in the regulatory document or require rethinking. The developers see the territory's capacity building in the resources of big business. It is no coincidence that practically all the main threats in the SWOT-analysis concern big business; moreover, practically all of them are realized in connection with the introduction of international sanctions against Russia. At the same time, the resources of small and medium-sized businesses, NPOs, active citizens are overlooked. The sections of the Strategy dealing with big business and other subjects of the territory development differ in content: detailed plans in the first case and streamlined formulations from regulatory documents of the federal level in the other. The Strategy also relies on attracting foreign residents to do business. In connection with changes in the economic environment, it is necessary to make adjustments in the strategic planning of the territory's development, so as a recommendation we can suggest, first, to supplement the regulatory document with a section highlighting the main stakeholders or subjects of the territory's development. Second, one of the development

directions is tourism (ecotourism, industrial, cultural, ethnographic, sports), but the Strategy lacks such a direction as health tourism, which can be included to consider the available resources. The focus group participants emphasized the individual way of development ("their own" way), but we note the possibility of cooperation with tourist areas of the Republic of Karelia, for example, competent redirection of tourist flows from Sortavala further north, including Kostomuksha. As part of the development of rural and ethnographic tourism it is necessary to cooperate with rural areas that are part of the Kostomuksha rural agglomeration along with Kostomuksha.

Kostomuksha Urban Okrug belongs to the following types by its characteristics: local socio-economic and cultural center, potential area of compression, single-industry territory of raw materials orientation, which determines the risks of further urban development. The opportunities of unrelated diversification, due to the presence of favorable economic statuses of the territory, are seen as the reference points of strategic development. As a scenario of inter-territorial interaction, we propose to develop a mixed-type strategy, when the number of industries is expected to grow, both related and coinciding with neighboring territories. In this case, the main barriers to development are the lack of electricity for the creation of new industries, poor transport accessibility, poor condition of urban infrastructure, insufficient level of human capital.

Thus, as a result of the study, we identified new individual development trajectories based on expert assessments: sports and health tourism, which should be taken into account in the development strategy of Kostomuksha along with the participation of big business, taking into account its significant role as a stakeholder in the development of this territory. However, we identified insufficiently active participation of citizens, NPOs, small and medium-sized businesses in solving social problems as one of the main barriers. This is partly due to the

active position of large socially-oriented business. In cities where big business is present and whose interests include urban development issues, small and medium businesses are not given a prominent role, which may have negative effects in case of external economic risks and loss of corporate sustainability of the enterprise. Undoubtedly, there are close links between sustainable corporate development and social sustainability of the local community (Volkov, Simakova, 2022, p. 860), but as a resource for development we should highlight the activation of citizens and support of non-profit organizations, whose activities will contribute to community cohesion and preservation of Karelian

culture, identity of the city and, as a consequence, its socio-economic development.

The results of our work make a certain contribution to the development of scientific knowledge and have the potential for practical application, as the conclusions on the activation of various stakeholders and the definition of individual trajectories and development strategies can be extended to other single-industry territories. The novelty of the study lies in the expansion of the methodological approach to strategic planning of small cities' development with the use of the original toolkit of qualitative sociology – expert assessments of territorial development stakeholders.

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