

Tools for sustainable investment climate formation in the region

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Abstract—The paper analyzes science literature and strategic documents of the subjects of the Russian Federation with a view to systematize the methodology for sustainable investment climate formation. In science literature a special focus is given to investment attractiveness factors and tools to improve this attractiveness. Regional documents present the principles, directions and tools for sustainable investment climate formation. Thereat, the latter is given priority attention. The analysis showed that the use of capital-intensive tools does not always provide the desired efficiency level of budget investments. In the conditions of their drop in times of crisis, regions need to optimize a range of tools for sustainable investment climate formation.

Keywords—*factors; investment; investment attractiveness; investment climate; region; tools.*

I. INTRODUCTION

The prolonged period of stagnation in the Russian economy makes the problem of increasing the economic growth rate actual. Thereat, investment is the key factor that determines the dynamics of economic development. In this regard, the solution of a set of issues how to raise investment is of primary importance in the economic policy. Investment climate performs as the integral characteristic that determines the positive and negative aspects of investment activity. For the Russian Federation, under conditions of a high level of socio-economic indicators differentiation of the Federation subjects, not only the country component of the investment climate, but also the investment climate in terms of regions is of great importance. The economic crisis of 2014-2016 resulted in the emergence of significant differences in the dynamics of investment processes in the regions. Thus, in general, investment dropped by 5.9% in the subjects of the Federation of the North-western Federal District. Herewith, in the Vologda region, investment increased by 18.6%, while in the Pskov Region they dropped by 25.4%.

The paper [1] defines investment climate of a region as a combination of financial, socio-economic, political, geographical, and organizational and legal factors that entice or repel investors. The investment climate component is investment attractiveness, including region's investment potential that reflects objective possibilities of a region to

attract investments, as well as the region's investment risks in the form of constraints.

A similar approach is also presented in the paper [2]: "Investment climate of a region is a combination of objective conditions to conduct investment activity: means, opportunities and constraints that predetermine investment intensity in a regional economic system."

Investment climate and investment attractiveness are often interpreted in economic literature as synonymous. However, most authors consider the first concept to be broader and consider it as a basic characteristic of an investment object: country, region, and industry [3]. The investment climate state is usually assessed as favourable or unfavourable. If the climate contributes to investments inflow, then it is considered favourable, and if it bears high risks for investors, then it is considered unfavourable. Based on these criteria, the investment policy formation and implementation are carried out [4].

The region investment attractiveness is to be considered in cause - effect relations together with investment activity in a region. This relationship is the intensity of investment attracting to the region [5]. Investment attractiveness is influenced by many factors that are formed at various levels. In the paper [6], investment attractiveness factors are divided into two groups. The first includes factors of attractiveness of the region itself (robustness of investment legislation, legal protection for investors, regional government policy, etc.), and the second one is the attractiveness of investment objects (financial position of enterprises and project efficiency). In the paper [7], a complex of external factors affecting the risk and profitability of investment projects implemented in the region are among the factors of investment attractiveness of the region. These factors can be divided into two groups, one of which affects positively and forms investment potential, while the second group determines investment risks.

Region's investment attractiveness factors are formed both at country level as a whole, and at regional level [8]. The key factors that are formed at country level are the following: economic growth rates, inflation rate, tax burden, resource cost, profit rate, national currency exchange rate, credit resources cost, etc. Territorial factors include the

availability of natural resources, level of infrastructure development, availability of labour force and its qualifications, demand conditions, crime and corruption level, etc.

The economy range factor has a significant impact on the level of region's investment attractiveness. There appear agglomeration effects in more successful regions that boost resources concentration, manufacturing enterprises and services, skilled workers as well as scientific and technical knowledge. Besides, investment in fixed assets also has a tendency to concentrate. These statistics confirm the significance of the agglomeration factor. Thus, in the Central Federal District, in 2017, Moscow accounted for 47.3% of the volume of investments in fixed assets. In the North-West Federal District, the share of St. Petersburg was 35.2%.

In the paper [9], the systematization of factors determining region's investment climate was done and the following groups of factors were identified; national factors (consumer demand level, macroeconomic situation stability, lending to the real economy), industry factors (financial performance of the industry, availability of credit resources, technological level), territorial factors (agglomeration, natural resource, industrial, labour, financial, innovation, infrastructure, interregional cooperation, border position). Investment attractiveness factors are the basis for the formation of a set of investment policy tools aimed at favourable investment climate creating.

II. RESEARCH METHODS

The research methodology includes an analysis of domestic and foreign literature on investment field state, investment dynamics factors, as well as tools for creating a sustainable investment climate. Systematization of the authors' view points allowed to generalize and classify the tools for raising regions' investment attractiveness. When analyzing regional strategies, system method was used, which made it possible to identify the main elements of the methodology developed in the regions for creating a sustainable investment climate: principles, directions and tools. To assess the efficiency of the tools, comparative and structural analysis was used. To study the factors determining the dynamics of the investment climate in the regions, correlation analysis was used.

III. FINDINGS

The investment climate is formed in the course of regional investment policy, which is understood as a system of goals, objectives and tools that create conditions for enhancing investment activities in the region, attracting investment resources and determining the directions of their most effective and rational use in behalf of region's population and individual investors. Herewith, favourable investment climate formation in most regions serves as the main goal of investment policy.

To achieve this goal, regions use a wide range of tools [10]: investment climate information support; support of personnel policy for investment activities; region's priority investment projects support; public-private partnerships establishing; integrated development of regional clusters.

Tools to increase investment attractiveness are also presented in the paper [11]. These include: the choice of

priority sectors of economy to attract investment; the creation of investment activities Internet portal; formation of investment sites database; regional investment legislation improvement; growth of tax incentives list for investors; creation of a system for training skilled personal in the field of investment activities; infrastructure development in the region.

In the paper [12], the monitoring of regional infrastructure investment development, which is an important part of the information support system for potential investors, is considered as a tool to increase investment attractiveness. The monitoring is to ensure collection of data, that allow to assess the dynamics of the region's investment attractiveness and the opportunities for investment projects implementation.

A promising tool to attract investment in the high-tech sector of regional economy is industrial parks [13]. According to the Association of Industrial Parks, from 2014 to 2017, the number of operating industrial parks in Russia increased from 45 to 111. This tool has the highest efficiency when it comes to attracting investments in high technology. Industrial parks perform the most important function of infrastructure development and creating conditions for sustainable growth of the region's investment attractiveness. Besides that, they are an efficient tool for the economy innovation sector development [14].

Clusters are widely used as a tool for creating a favourable investment climate in the region, which ensure improved performance of the participating enterprises by means of cutting transaction costs [15]. The cluster identification algorithm in the region provides for the identification of large regional companies that have close cooperative ties with local suppliers of raw materials, components and services. Cluster tools for increasing investment attractiveness are widely used in the Kaluga region [16]. In addition, the region uses such tools as: investment sites, industrial parks and special economic zones (SEZ).

In the paper [17], factors of Russia's regional development, as well as promising tools, are considered. The authors conclude that, in general, development is determined by naturally formed conditions: an advantageous geographical position, raw materials and agro-climatic resources. Herewith, the potential fulfilment depended on the effectiveness of the authorities' policy to reduce investment risks and use human capital. The authors consider ready investment sites, industrial parks and technology parks that can help attract investors as tools to reduce risks. Tax instruments, in particular, income tax concessions [18] perform as traditional tools to increase investment attractiveness are.

Based on the analysis of the science literature, the following types of tools for sustainable investment climate formation in the region can be distinguished: regulatory, financial, infrastructural, informational, territorial and personnel. Their systematization is presented in Table 1.

TABLE I. TOOLS FOR SUSTAINABLE INVESTMENT CLIMATE FORMATION IN THE REGION

Types of tools	Tools
regulatory	investment legislation improvement
financial	development of public-private partnerships (co-

Types of tools	Tools
	financing), extension of the list of tax incentives for investors.
infrastructural	infrastructure development in the region, development of regional clusters, creation of special economic zones, preparation of investment sites, creation of industrial parks and technology parks.
Industry specific	selection of priority sectors of the economy to attract investment.
informational	informational support of the investment climate, creation of an Internet portal on investment activities, formation of a database of investment sites, monitoring of investment infrastructure development in the region
personal	support of personal policy for investment activities, creation of a system for training skilled personal in the field of investment activity.

At the next stage, we systematized the regional practice of sustainable investment climate formation. The analysis showed that principles, directions and tools for the sustainable investment climate formation are given in the strategies of socio-economic development of the regions in the North-West Federal District.

The generalization of regional practices allows us to identify the following principles to improve investment climate:

- investment priority order and improving the efficiency of social, human and natural capital;
- informational publicity at all stages of investment process;
- balanceness of investors' interests and the regional community;
- transparency of making investment decisions;
- clarity and stability of investment legislation;
- presumption of investors' due diligence;
- non-deterioration of investment activities conditions when adopting regulatory legal acts;
- coordination of natural monopolies investment plans with the priorities of regional development;
- taking into account regional interests in the development of strategic plans at the industry level.

In a number of regions such elements of the methodology as directions of sustainable investment climate formation are presented. These include:

- new high-tech industries creation;
- renewal of existing enterprises fixed assets of the real sector of the economy;
- implementation of projects in the agro-industrial complex, as well as projects in other industries related to import substitution;
- investment faster growth in priority sectors of region's economy;
- formation of new sectors of the economy.

Sustainable climate formation tools are presented in the regional documents to the fullest extent possible. The tools arrangement is given in Table 2.

TABLE II. TOOLS FOR SUSTAINABLE INVESTMENT CLIMATE FORMATION IN THE REGIONS OF THE NORTH-WESTERN FEDERAL DISTRICT

Types of tools	Tools
regulatory and management	investment legislation improvement; minimization of administrative barriers to investment activities; development and improvement of channels of direct communication of investors with the leadership of the region; improvement of the system of investment projects support.
financial	development of financial support for investors; government support for investors through the provision of a set of tax benefits: exemption from paying transport tax, lowering income tax rate, exemption or lowering property tax rate for companies; attraction of financial resources to implement significant investment projects through the development of business contacts with financial and credit institutions; implementation of investment projects using public-private partnership mechanisms; increase in public investment.
infrastructural	infrastructure development of special economic zones; development of industrial and technological parks; creation of investment sites; promoting the development of innovation infrastructure (technological parks, business incubators, etc.); promoting the creation and development of industrial clusters.
territorial	increasing the investment attractiveness of municipalities; strengthening cooperation of public authorities and local authorities to support investors in investment projects implementation; implementation of comprehensive investment plans of municipalities; creation of territories of advanced socio-economic development; activation of attraction of large investment projects to the territory of the region, financed both from the federal budget, large state corporations, and at the expense of foreign investors.
industry specific	selection of economy priority sectors to attract investment.
Informational	region's positive investment image formation; maintaining a single information base of investment projects implemented and planned for implementation in the region; implementation of measures of active marketing and information policy.
personal	creation of a system for training skilled personal in the field of investment activities; training and retraining of personal to meet the needs of the regional economy in labor resources in the territorial and professional qualification context, taking into account the promising economic specializations of the region and long-term investment plans of large companies and natural monopolies; improving the quality of life in the countryside, creating conditions to attract and retain skilled personal; implementation of best practices in forecasting staffing needs and assessing staffing.

The analysis made it possible to conclude that measures to develop regional investment legislation are not currently a priority for creating a sustainable investment climate. This situation is due, in our opinion, to a fairly high level of

homogeneity of this factor of regions' investment attractiveness. Under these conditions, it is difficult for the subjects of the Federation to expect to gain a competitive advantage due to the further improvement of regional investment legislation. In addition, options for economic development of regions are currently limited to a great extent by federal legislation and are largely determined by state development programs and priorities for the allocation of the federal budget [19].

Administrative tools to support investment activities are also currently characterized by a high level of homogeneity. They are based on the Standard of the activities of the executive authorities of a subject of the Russian Federation to ensure a favourable investment climate in the region, developed by the Agency for Strategic Initiatives in partnership with the public organization "Business Russia" [20].

Under these conditions, the importance of financial and infrastructural measures in creating a sustainable investment climate is increasing. Herewith, the use of financial measures leads to significant losses of budgets due to the provision of tax incentives and subsidized interest rates on loans. In addition, if there are enough mobile production factors, companies will be able to transfer business to other region in order to renew the grace period.

Infrastructural tools are also costly and do not always provide the necessary level of invested funds efficiency. Thus, according to the Accounts Chamber, over 11 years of SEZ existence, only 21.1 thousand jobs have been created. On average, 9.1 million roubles of budget funds were allocated for creation of a single workplace in the SEZ territories, and taking into account investments made by residents of SEZ, this figure increases to 21 million roubles. The amount of tax and customs payments paid by residents up to January 1, 2017 amounted to 38.8 billion roubles. Herewith, SEZ residents were granted tax concessions and customs preferences in the amount of 28 billion roubles.

Analysis of SEZ indicators presented in the report of the Ministry of Economic Development of the Russian Federation "On the results of the functioning of special economic zones in 2016 and for the period from the beginning of the operation of special economic zones" allows us to conclude that this tool is effective in regions with a favourable investment climate: the Republic of Tatarstan ("Alabuga"), the Lipetsk region, St. - Petersburg. So, in the SEZ "Alabuga" 5634 jobs were created and residents' investments amounted to 103393.5 million roubles. At the same time, the amount of the federal budget funds aimed at financing the creation of engineering, transport, social, innovation and other infrastructure of the special economic zone amounted to 107216.126 million roubles. In addition, 8625.96 million roubles made budget investments of the subject of the Federation. Thus, budget investments for the creation of one workplace amounted to 20.56 million roubles. As ineffective SEZ, the Chamber of Accounts points out the industrial-production type Moglino (Pskov Region), established in 2012. Residents of the special economic zone created 40 jobs. At the same time, the amount of budget investments amounted to 3239.5 million roubles, i.e. 80.0 million roubles for one workplace.

Thus, the use of infrastructure tools to improve investment climate requires quite a large amount of budget investments. At the same time, under conditions of the economic crisis, the amount of budget investments in fixed assets decreased from 1,916.3 billion roubles in 2013 to 1,844.1 billion roubles in 2016. The investments of regional budgets decreased to the greatest extent from 753.3 billion roubles down to 679.6 billion roubles. The positive dynamics of investments in 2017 led to some increase in budget investments and the restoration of their nominal value to about the level of 2013. In this case, the composite price index for investment products for the period 2014-2017 amounted to 125.8%.

Under these conditions, regions need to optimize the portfolio of tools to create a favourable investment climate in favour of less capital-intensive tools. Priority must be given to those tools that reduce investment risks. In the paper [21], it is noted that over the period of 2014–2016, the growth rates of profits and depreciation of enterprises were about 2.7 times higher than the growth rates of their own funds as part of sources of investment financing. Enterprises, however, are in no hurry to use the available financial resources to enhance the investment process, which is due, according to the authors, to high risks in the economy. The situation is similar at the regional level. The lead sector of the economy of the Pskov region is manufacturing. Its share in the sectoral structure of employment is about 16%. Investments in fixed assets of manufacturing industries in 2017 amounted to 2,744.8 million roubles, while the financial investments of the industry amounted to 13,471.8 million roubles.

Risk reduction can be achieved with the help of the efficient use of the following types of tools: regulatory and administrative, territorial, industrial, information, personnel. As noted above, regulatory and administrative tools are distinguished by a high level of homogeneity separately for regions. The practice of their use varies considerably. In order to reduce risks in investment policy in the region, one should first of all proceed from the principles presented above for creating sustainable investment climate and on this basis use regulatory and administrative tools.

The significant factor of unsatisfactory investment dynamics in the Russian Federation is the insufficient investment attractiveness of the majority of territories of the subjects of the Federation. Thus, in the Pskov region, per capita investment in the city of Pskov exceeds investment in the Usvyatsky district by more than 50 times [22]. This situation is typical for other regions. Under these conditions, substantial reserves of increasing investment attractiveness are associated with the increased use of territorial instruments, such as increasing investment attractiveness of municipalities, implementing comprehensive investment plans of municipalities, increasing the attraction of large investment projects to the region, aimed at the integrated use of territorial resources, etc.

Industry tools may also be highly effective. Support for investment processes in promising industries can provide a significant improvement in the investment climate. These include export-oriented non-resource industries, as well as industries involved in the import substitution program. This conclusion confirms the dynamics of the processing industries of the Pskov region. Thus, over the period of

2015–2017, food production in the region increased by 44.5%. This industry, along with agriculture, is among the industries that have achieved real success in the process of substitution [23]. At the same time, the production of electrical equipment in the region increased by only 0.5%. Herewith, 2016, «Electrotechnical Cluster of the Pskov Region» was created.

It is hardly worth underestimating the role of information tools for creating a favourable investment climate in a modern information society. It is necessary to ensure the effectiveness of their use. For this, it is necessary to bring these tools in line with new information technologies.

One of the main reasons for high level of differentiation of investment activity in the context of the territories is insufficient staffing, due to both the discrepancy between the structure of training of specialists and the structure of the demand for labour, and the low attractiveness of a substantial part of the municipalities of the regions for young professionals. Under these conditions, the effectiveness of the use of almost all types of tools to improve the investment climate depends on the efficiency of using personnel tools.

IV. CONCLUSION

The paper systematizes the tools for favourable investment climate formation and outlines the following types of the tools: regulatory and administrative, financial, infrastructural, territorial, industrial, information and personnel. In the conditions of underperformance of capital-intensive financial and infrastructure tools, regions need to optimize the set of investment policy tools used. In the conditions of a high level of homogeneity of regional investment legislation and a set of administrative tools, an increase in the efficiency of their use can be achieved on the basis of the principles for sustainable investment climate formation that were identified in the paper.

Large reserves are associated with increased use of industrial and territorial tools. At the same time, their effectiveness largely depends on staffing in a professional and territorial context. Information tools are designed to provide effective communication between all participants in the investment process. It is important to ensure their compliance with modern information technologies.

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