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Monitoring of the investment support allocated to the territories at the current stage of the economic development

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***Abstract*—Issues relating to capital investment at all stages of national economic development are at the center of attention of the economic science and practice both in Russia, and abroad. In modern conditions the investments are regarded as a tool that can ensure a country's, a region's, an industry sector's or a business entity's recovery from economic crisis, produce the "adequate" structural shifts in the economy and increase qualitative indicators of commercial activity at micro-, meso- and macro-levels, which means that a comprehensive analysis of the investment support allocated to the territories is appropriate at the current stage of the economic development.**

Keywords—investment activity of the regions; investment potential of the territories; foreign direct investment

I. INTRODUCTION

The investment processes within the framework of the Russian economy have always been heterogeneous in nature. During the period of the administrative command economy oriented towards the development of the industrial society, the investment attraction centers were the strategically important regions that could ensure the country's defense capabilities [1]. The investor was, for the most part, the State itself.

The transformation of economic relations into market relations resulted in the advancing the model of the national investment process. In conjunction with the State, the private factors: direct and portfolio investors, banks and other financial and credit institutions started to be gradually involved therein. Whereas the financing of the regions that had previously been of priority importance for the country's development virtually came to a halt. The territories having a natural resource base and Moscow as a center of financial and administrative competencies became more attractive to investors. This increased the unevenness of the inflow of investments both by industry sectors, and by regions, and the key task of State investment policy started to be the formation of favorable climate for enhancing the inflow of investments, as well as the support of competitive production enterprises and infrastructure units.

II. ANALYSIS OF THE INVESTMENT SUPPORT ALLOCATED TO THE TERRITORIES OF THE RUSSIAN FEDERATION

According to Rosstat (Federal State Statistics Service), to develop the economy and social sphere of the Russian Federation, in 2017, the organizations of all forms of ownership used 15,966.8 billion rubles of investments into the fixed capital, 84.8% of which was absorbed by the Russian organizations. The major investors (59.7%) were the organizations under the private form of ownership. Most of investments made in 2017 (59.5%) was channeled towards the construction of buildings and structures [2].

The situation is such that the dominant share of investment (over 50%) is effectuated in the territory of 11 constituent entities of the Russian Federation, among which: Moscow (12.4%), Yamalo-Nenets Autonomous District (6.8%), Khanty-Mansi Autonomous District (5.9%), Moscow Region (4.2%), Saint Petersburg (4.1%), the Republic of Tatarstan (4.0%), Krasnodar Territory (3.0%), Krasnoyarsk Territory (2.7%), the Republic of Sakha (Yakutia) (2.4%), Leningrad Region (2.1%) and Sverdlovsk Region (2.1%). [17] In 2017 nearly 60% of all investments into the fixed capital of the Russian Federation were absorbed in Central Federal District (26.1%), Urals Federal District (18.0%) and Volga Federal District (15.1%). The investment growth has occurred, most notably, in the largest agglomerations of the cities of federal significance with the highest concentration of effective demand [3].

The Moscow region is the financial flow attraction center due to objective historical reasons that give a number of competitive advantages to this region owing to the presence of extensive infrastructure and transportation system, science cities ("naukograds"), production potential, etc. [4].

The level of the investment attractiveness of constituent entities of the Urals Federal District is also rather high. The investment flows pass actively to Yamalo-Nenets, Khanty-Mansi Autonomous Districts and Tyumen Region in consideration of the presence of valuable oil and gas resources in the territories of these regions, as well as the developed technologies for oil production, transportation and refining.

The main advantages that contribute to streamlining the investment activity in the Volga Federal District are caused both by political stability, favorable climatic conditions, receptive regional consumer market, and by greater effort put by the authorities into attracting investment and creating most comfortable institutional conditions for investors. The investments are being accumulated, mostly, in the Republic of Tatarstan.

However, there has been no broad-based growth in investments at the regional level: the investment activity has increased only in 41 constituent entities of the Russian Federation, whereas in 44 constituent entities the decline in investments has been registered.

Thus, the highest investment activity has been registered in the Republic of Crimea and the city of Sevastopol, which has been achieved through the substantial increase in budgetary investments. The rise in investments is also expected to be in Yakutia: new oil and gas fields started to be developed in the region, which resulted in substantial improvement in the investment climate.

The closing positions in the investment dynamics rating are held by underdeveloped regions, in particular Kurgan Region, the Republic of Komi and the Republic of Ingushetia. In some cases the decline in investments in such regions is associated with the conclusion of the period for implementing the major investment projects, producing the effect of "high base" of the previous periods.

A number of regional economies boosted their rating through chemical industry. For example, the Tula Region, where the most powerful clusters of enterprises producing household chemicals, mineral fertilizers and synthetic fibers are situated. In the Republic of Tatarstan, major projects for oil refining and production of petroleum products have been implemented over the past years. In the Novgorod Region, leading enterprises specialized in production of mineral fertilizers are operating; in the Leningrad Region, the production of phosphate-potassium fertilizers has been actively expanded.

Consequently, it may be concluded that the most investments-active regions are those possessing the competitive advantages of "the first-level processing," and especially the greater raw material resource potential, availability of hydrocarbons and other mineral raw material resources. And high export volumes that are conditional, among other things, upon positioning the headquarters of major oil and gas holding companies as well as high levels of development achieved in industrial production in a whole number of regions are largely related to extraction and processing of resources [5]. The outsider regions, in their turn, remain unattractive for institutional and private investors.

It should be noted that, back in 2016, the regions with a large share of agriculture sector contribution to the gross regional product acted in evidence as the growth points of investment flows (Stavropol Territory, Altai Territory, Tambov and Voronezh Regions), while in 2017-2018 they did not. After the obvious effect, caused by depreciation, the influence of agro-industrial complex on the investment attractiveness of the regions declined. The regions where beef production and processing is being set up – Belgorod and Bryansk Regions – have succeeded in mitigating the negative effect caused by problems with grain export.

In order to determine precisely: the development of which regions concerns the State most of all, as well as other factors, let us analyze the structure of investment project financing channels. Following the results of 2017, the investments into the fixed capital made using large and medium enterprises' own funds increased by 518 billion rubles and amounted to 6.27 trillion rubles. Hence the share of this source in the structure of investment project financing went up to 52%, whereas during growth periods of investment activity this indicator was about 40%. The increased level of the enterprises' self-financing is in many ways due to the exhaustion of opportunities for financing through the attracted funds, which, in 2017, increased in monetary terms only by 226 billion rubles up to 5.76 trillion rubles, and, to a lesser extent, due to the decentralization of the investment process [6].

The structural analysis of the activities carried out in the investment sphere shows that the leading position in volumes of investment is incontestably held by the activities related to extraction of mineral resources (25.1%), as well as transportation and storage (18.1%) and processing activities (16.0%). As concerns the latter, the investments decreased by 0.8% and in construction – by 3.7%. The maximum flow of investments is directed towards financing and insurance activities (+63.4%), culture-, sports-, leisure- and entertainment-related activities (+34%) and the activities in the area of health care and social services (+12.7%).

The increased investment in the Russian economy cannot be called dispersed; it is quite uneven both with regard to industries, and with regard to regions.

Territorial allocation of investments in Russia, from a theoretical standpoint, draws upon the theory of hierarchically-organized structure of settlements and the premise of the evenness of human settling [7]. According to the first approach, the investments should be directed towards “the growth points,” which are concentrated in the major cities and around mineral deposits. The second approach implies concentrating the investments in depressed regions with soft budget constraints to equalize levels of the social and economic development of the federal entities. As we can see, Russia follows the first path, therefore the leader regions continue to strengthen the base for the economic development, while enhancing the investment attractiveness, and the outsiders “fail,” thus increasing the regional inequality.

As a result the majority of the regions in the Russian Federation have comparatively low level of attractiveness of the investment climate. This is due to a number of problems, among which the specialists highlight the lack of systematic approach when formulating the state regional policy, the imperfection of legal and regulatory framework for development of the regions, insufficient use of means for stimulation of the investment development of the regions, outflow of labor resources and capital to the big cities, low level of budgetary discipline, etc. [2, 16, 20, 22].

The regional protectionism also impedes increasing the investment activities. Often, in practice the authorities of a federal entity set a limit on public procurement, make corrections in investment memorandums, while demanding to set up a full-cycle production in a region. To solve such kind of problems, it is necessary to move forward on the path of developing inter-industrial, inter-departmental clusters, with a complete production cycle, and also improve interregional and international cooperation.

Thus, at the origin of the reasons for the unbalanced growth of investment activity in the Russian economy are the peculiarities of the governmental regulation characterized by quite a lot of imperfections.

In the opinion of the World Bank specialists, in 2018-2019, the growth of investments into the fixed capital has halted in the Russian economy. In particular, the State’s investment in a number of major infrastructure projects is expected to decline, and the budget consolidation will impact the expenditures allocated by the State to realize the investments. At the same time, it is noted that the investments will continue to be poured into the energy sector, mainly into the companies partially owned by the State [8].

The Ministry of Economic Development and the Agency for Strategic Initiatives developed a “road map” with the purpose of improving the investment climate at the country’s and regional levels, and the implementation thereof is announced to be one of the State’s priority tasks.

However, in 2018 the negative dynamics of investment activity was registered already in 40 constituent entities. The highest decline is taking place in the Republic of Ingushetia (by 64.3%), the Bryansk Region (by 57.0%), the Vologda Region (by 52.2%) and the Tver Region (by 50.2%) [9].

The situation in the depressed and underdeveloped regions depends, to a greater degree, on the actions taken by the local government bodies, on the authorities’ willingness and ability to establish a comfortable environment for investments.

Alongside the improvement of infrastructure for doing business, it is necessary to make public-private partnership more active for attracting the investments in social sphere, and also launch the industrial innovative clusters with budgetary investments coupled with attraction of borrowed assets under optimal conditions. The extension of the scope of financing the investments can be promoted by involvement of funds from non-state pension funds, insurance companies and development of mechanisms of concession and infrastructure mortgage.

Besides, boosting support for export of regional products is currently the important task for strengthening the investment potential of the country and separate regions.

III. Analysis of foreign direct investments in the world economy

In 2017, the global volume of foreign direct investments (FDI) reduced by 23% and amounted 1.43 trillion USD compared to 1.87 trillion USD in 2016. Such reduction absolutely doesn’t fit in the dynamics of other macroeconomic indicators, such as GDP and trade volume, which significantly increased in 2017. The decline was partially due to the reduction of net total value of the cross-border mergers and acquisitions by 22%. But even without taking into consideration the major one-off transactions, the reduction trend in 2017 remains quite significant.

The inflow of investments into the developed countries fell by over a third – down to 712 billion USD. To a large extent, the decline is attributable to falling from a high level achieved in the previous year as a result of cross-border mergers and acquisitions, and restructuring of corporations. The considerable decrease in values of such transactions led to the reduction of the inflow of investments by 40% in the United States down to 275 billion USD and 92% in the United Kingdom down to 15 billion USD. Reinvested earnings grew by 26% through the action of US multinational enterprises in anticipation of tax exemptions for repatriation of funds. [10]

The inflow of foreign direct investments into the developing countries remained at the level similar to that of 2016 (671 billion USD) with no signs of recovery after a 10% reduction in 2016. The inflow of investments in Africa continued decreasing, in Asian developing countries it stayed at a stable level and there was a slight increase in Latin America and the Caribbean.

The inflow of foreign direct investments into the countries of South-Eastern Europe and the Commonwealth of Independent States (C.I.S.) with economies in transition decreased in 2017 by 27% down to 47 billion USD – the lower lever for the period since 2005 was recorded only once.

Half of the top 10 largest recipients of foreign direct investments are the developing countries. The USA, which attracted 275 billion USD, remained the major recipient of the foreign direct investments, followed by China, which hit a record level at 136 billion USD, despite the slowdown, which was at first recorded in the first half of 2017. France, Germany and Indonesia improved their positions on the rankings in no small way.

Among the largest outward investors, the developed countries continue to prevail. The overseas investment activity among the multinational enterprises of these countries declined only moderately. The outward foreign direct investments coming from the developed countries reduced in 2017 by 3% down to 1 trillion USD. Their share in the global export of investments still amounts to 71%. The investment flows from the developing countries reduced by 6% down to 381 billion USD, mainly due to the decrease – for the first time in 15 years (by 36% down to 125 billion USD) – of FDI from China as a result of the restrictive policies in response to the considerable capital outflow in 2015-2016. The export of foreign direct investments from the countries with economies in transition increased by 59% and amounted to 40 billion USD.

The negative trends in the dynamics of the foreign direct investments are attributable to several factors. The international production models, which do not require the extensive assets, produce structural shifts in the investment activity. Another significant factor is considerable decrease in the profitability indicators of investments over the past five years. In 2017 the global profitability of the investments allocated to the receiving countries fell down to 6.7%. Although the profitability indicators, on the average, are still higher in the developing countries and the countries with economies in transition, the majority of the regions did not escape the downward trend. In Africa, for example, the profitability of investments declined from 12.3% in 2012 to 6.3% in 2017. Given the fact that the decline is particularly pronounced in the regions depending on the foreign direct investments into the base materials sector, that which is happening can be partly explained by the drop in prices of the primary commodities during this period. However, the magnitude of the drop in prices makes it justified to speak of the influence of the structural factors, for the most part of the limited capacities of the tax arbitrage and the labor cost difference arbitrage, while carrying out international transactions.

The volumes of foreign direct investments are declining in all sectors. The merger-and-acquisition indicators dropped in the primary economic sector, the processing industry and the services sector. Announced inputs into new projects also decreased by 14% down to 720 billion USD. Although the reduction trend in 2017 mainly affected the services sector, and in some segments of the processing industry, such as electronics and chemicals production, the investment activity rose slightly, on the whole, in the long term, the dynamics of announced inputs into new projects developed in the processing industry remained quite sluggish. During the period of 2013-2017, the level of investment activity in the processing industry was steadily lower than during the preceding five-year period in Africa, Latin America and the Caribbean, and the Asian developing countries. This may produce serious consequences for the industrial development stimulating the investment activity [11].

The foreign direct investment flows to Asian developing countries in 2017 remained at the 2016 level (476 billion USD). Vigorous investment activity in China’s high-tech sectors and increase in volumes of inputs made in the majority of ASEAN countries turned out to be sufficient to compensate for the reduction in the region’s other major receiving countries, including Hong Kong (China), Singapore, India and Saudi Arabia (in that order). The region recovered its positions as the major recipient of foreign direct investments, because its share in the world total FDI imports increased from 25% in 2016 to 33% in 2017.

With the reduction of the investment inflow to Hong Kong (China) and the highest ever indicator of foreign direct investments imported to China, the investments in Eastern Asia remained at the level of 265 billion USD. In South-Eastern Asia, the volumes of foreign direct investments in ASEAN countries grew by 11% up to 134 billion USD thanks to the increase of investment inflow to the majority of member countries and the intense rebound in Indonesia. With account for the decline in FDI imports to India, the inflow to South Asia reduced by 4% down to 52 billion USD. In Western Asia, a trend towards the reduction continued to appear in the dynamics of allocating FDI (down to 26 billion USD), besides this trend was preserved in the region almost without interruption since 2008.

Due to curbing the trend in the investment flows from China, the export of investments from Asian developing countries reduced in 2017 by 9% down to 350 billion USD. Despite the reduction, the region remains the world’s largest source of foreign direct investments and it still accounts for nearly a quarter of the global investment exports.

In 2018, the FDI inflow in the region was expected to stay at the same level. As a result of the recently announced plans for simplification of procedures for allocating and attracting foreign investments, further expansion of the investment inflow to China seems to be possible. The increase in volume of intraregional investments, even in the region’s countries with relatively low income level, in the first instance in CLMV countries (Cambodia, the Lao People's Democratic Republic, Myanmar and Vietnam) can become the other source of growth. In Western Asia, the FDI inflow is going to be determined by the changes in the price of oil, the efforts taken by the oil-rich countries towards the promotion of the economy diversification and the geopolitical uncertainty factors.

New national measures of the investment policy are still intended, for the most part, to liberalize and promote investments. The UNCTAD data indicate that, in 2017, nearly 65 countries and economies undertook at least 126 investment policy measures that influenced the foreign investment, which resulted in the highest indicator over the past decade. 93 out of the mentioned measures were associated with liberalizing and promoting investments, and 18 measures introduced limitation and regulatory norms (the remaining 15 measures were neutral in character). Thus, the liberalization and promoted sphere accounted for 84% of the investment policy changes.

IV. Conclusion

The volumes of investments into real assets do not meet the rising needs of the national economy. International practice (Japan, South Korea, Malaysia, Chili, India, China and other countries) indicates that the intensive economic growth starts when the threshold of at least 25-27% of investments as compared to GDP is reached. For our country, it implies the increase in annual investments by 5-6 trillion rubles.

To eliminate, to soften the negative effects and to accelerate the processes of the investment development in Russia, it is necessary to: tighten financial controls over budgetary expenditures and revenues; strengthen the national financial market; launch the import-substituting productions oriented towards the subsequent export of products; improvement of the competitiveness and the attractiveness of territories for foreign investors by means of holding the investment congresses and expositions; mobilize the enterprises' and the population's free funds for the investment needs by means of raising interest rates on deposits and savings accounts, etc.

The above-mentioned measures to be taken by federal and regional authorities and other entities of reproduction business activities will promote the acceleration of the process of liberalization of the investment activities in Russia, the results of which must be expressed in transparency of the vertical system of investors, extension of financing tools and sources of investments, as well as in increasing availability of financial infrastructure for further development of the investment potential of the regions throughout the country.

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