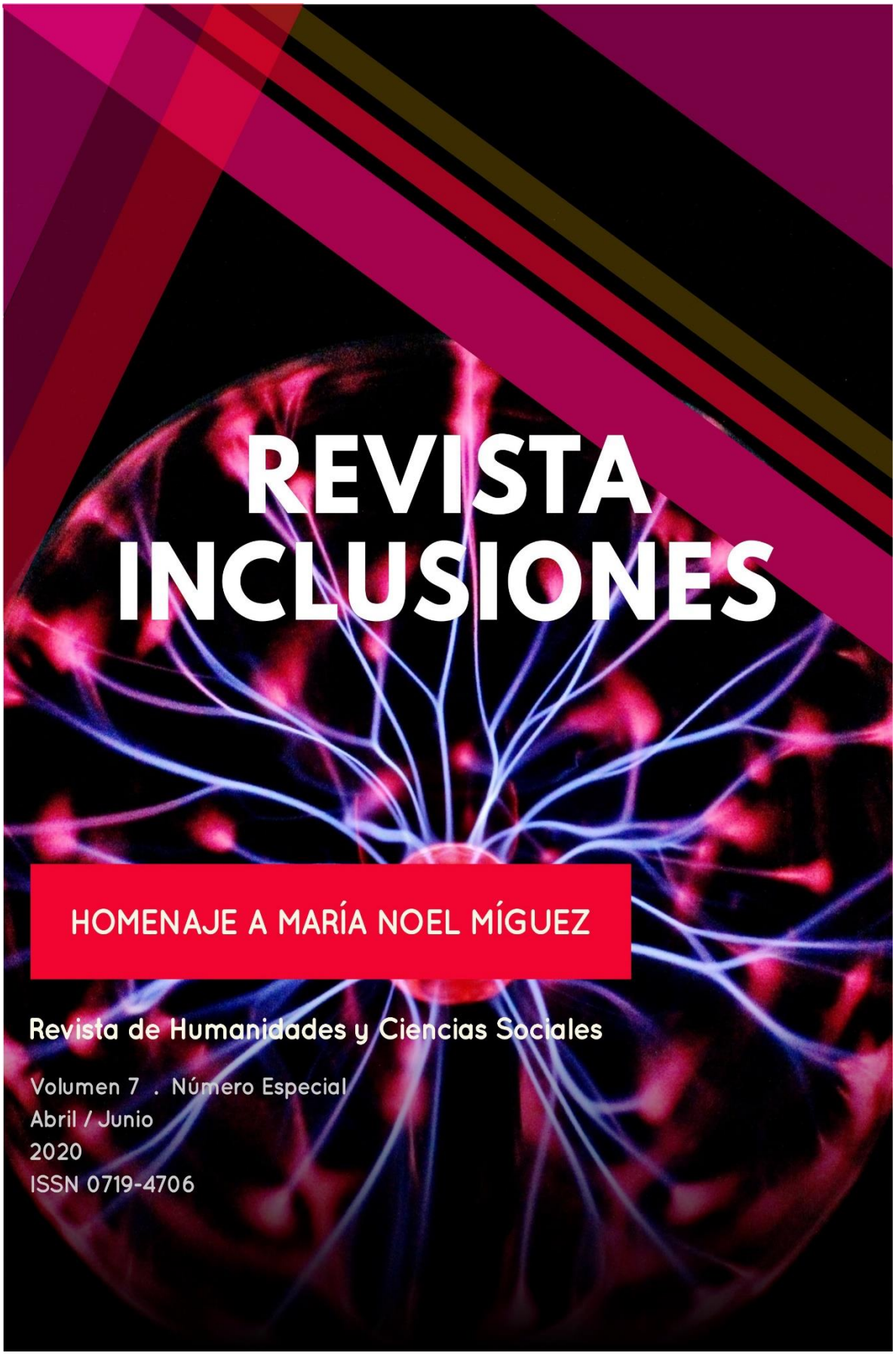

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COMPREHENSIVE ASSESSMENT OF INVESTMENT ATTRACTIVENESS OF REGIONS (BASED ON THE EXAMPLE OF THE REGIONS OF THE FAR EAST)

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Abstract

The increasing role of the subjects of the Russian Federation in the development and implementation of investment initiatives aimed at accelerated development of socio-economic processes in regions through the implementation of investment policy determines the relevance of the topic. Stimulation of investment activity of regions, large regional enterprises, business associations and financial companies is the main task for the achievement of the purpose of economic policy – an increase of the standard of living of the population in the region. To determine the effectiveness of the formation and implementation of investment policy, it is necessary to assess the dynamics of investment attractiveness of regions.

Keywords

Investment – Region – Meso level – Iinvestment rating

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Introduction

Currently, there are many different interpretations of investment attractiveness, which makes it a little difficult to understand the essence of this category. Studying the approaches to determining the content of investment attractiveness, we can note the following features of this economic category:

- "efficiency of functioning of economic systems and entities;
- potential opportunity for the investor;
- indicator of choice by comparison;
- a set of external and/or internal factors"[1].

The lack of common opinion on the definition of the essence and content of investment attractiveness of regions leads to a variety of approaches to its assessment. The main methods of assessing the investment attractiveness of regions can be divided into the following groups:

- "foreign rating methods (indexes of Dow Jones, BERI-Index (Business Environment Risk Information), industrial activity, systems of market surveys of business leaders, methods of Harvard business school, Tain-waters, magazines "The Economist", "Fortune", etc.)"[2];
- "Russian rating methods, such as the method of monitoring the socio-political climate of Russian territories by analysts of the magazine "Kommersant"; the method of the Ministry of Economic Development, methods of the Rating Agency "Expert RA", AK&M and "Rus-Rating", "Universe", analysis of investment features of Russian regions, carried out by a group of authors under the leadership of A. S. Martynov using the program "Datagraf" and other methods"[3];
- original methods of V. S. Bard, V. A. Sivelkina, T. M. Smaglyukova and R. A. Khusnullina[4]. According to these methods, investment attractiveness is expressed by the profit received from investments, using expert assessments, vertical and horizontal analysis of investments, as well as the calculation of the integral indicator for several years;
- application of statistical indicators of social and economic development of the region[5].

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[1] I. V. Petrov, “Obzor metodik ocenki investicionnoj privlekatelnosti regionov”, Molodoj uchenyj, num 23 (2017): 57-61.

[2] M. I. Anikina, “Peredovye metodiki investicionnoj privlekatelnosti regionov”, Nauka vchera, segodnja, zavtra: sb. st. po mater. XXXVI mezhdunar. nauch.-prakt. konf. Num 7 Vol 29 (2016): 144-151.

[3] R. A. Makedonov, “Razvitie investicionnoj privlekatelnosti Primorskogo kraja”, KNZh, num 2 Vol: 19 (2017) y M. N. Dudin; N. P. Ivashchenko; A. G. Gurinovich; O. M. Tolmachev y L. A. Sonina, “Environmental entrepreneurship: characteristics of organization and development”, Entrepreneurship and Sustainability Issues, Vol: 6 num 4 (2019): 1861-1871.

[4] Koncepcija proekta “Rejting investicionnoj privlekatelnosti regionov Rossii”. Jekspert RA. Available at: http://raexpert.ru/ratings/regions/concept/

[5] M. N. Dudin; N. P. Ivashchenko; A. G. Gurinovich; O. M. Tolmachev y L. A. Sonina, “Environmental entrepreneurship: characteristics of organization and development”, Entrepreneurship and Sustainability Issues, Vol: 6 num 4 (2019): 1861-1871; V. V. Bezpalov; D. V. Fedyunin; N. A. Solopova; S. A. Avtonomova y S. A. Lochan, “A model for managing the innovation-driven development of a regional industrial complex”, Entrepreneurship and Sustainability Issues 6 Vol: 4 (2019):1884-1896 y A. Novoselov; I. Novoselova; R. Aliev y A.

Methods

Rating methods for assessing the investment attractiveness of regions describe only the qualitative side of the investment attractiveness of a region and do not give a quantitative representation of the attractiveness of a region based on the components of investment attractiveness. They lack numerical information that can be immediately visually applied and used in the calculation of investment returns. The original methods, in contrast to the rating ones, take into account investment activity and industry specifics of regions and investigate a reasonable set of micro-and macroeconomic factors of investment attractiveness, completely or partially avoiding subjectivity. However, a significant disadvantage of these methods is their insufficient dissemination, as well as lack of periodicity in the assessment and public access to its results[6]. To comply with the complexity and objectivity of assessment, a synergy of quantitative and rating methods is proposed. Initially, it is necessary to assess the dynamics and structure of investments in the development of the regions of the Far East; next – conduct a national assessment of the investment climate, based on the opinions of entrepreneurs and experts.

Results

Assessment of investment dynamics and structure

Table 1 shows the dynamics of investment resources in the regions of the Far East, indicating the leading positions in the amount of investment for the analyzed period.

Region	Amount of investments			Growth rate,%	
	2016	2017	2018	2017/2016	2018/2017
Amur region	**136.3**	**186.2**	**239.7**	136.6	128.7
Jewish Autonomous region	14.2	10.5	16.8	74.2	160.0
Chukotka Autonomous district	12.6	11.8	15.1	94	128.0
Khabarovsky Krai	123.0	117.2	129.6	95.3	110.6
Primorsky Krai	132.7	125.7	141.9	94.7	112.9
Republic of Sakha (Yakutia)	**284.3**	**384.9**	**403.4**	135.4	104.8
Magadan region	42.2	44.2	51.5	104.7	116.5
Sakhalin region	**255.3**	**299.5**	**218.3**	117.3	72.9
Kamchatsky Krai	37.9	37.1	39.3	98	105.9
Zabaikalsky Krai	[43.5]	[50.3]	90	115.6	178.9
Republic of Buryatia	[33.4]	[41.5]	48.7	124.3	117.3

*[XX] was not a region of the Far East.

Table 1

Dynamics of investments by regions of the Far East for 2016-2018, billion rubles

Avramenko, “Preventing Regional Social And Environmental Conflicts During Oil Pipeline Construction Projects”, Entrepreneurship and Sustainability Issues, Vol: 7 num 1 (2019): 773-785.

[6] R. A. Makedonov, “Razvitie investicionnoj privlekatelnosti Primorskogo kraja”, KNZh, num 2 Vol: 19 (2017).

According to the data in Table 1, it can be noted that the fifth place went to Khabarovsky Krai in terms of investment among all subjects of the far Eastern Federal district in 2018. The leader traditionally became the Republic of Sakha (Yakutia), where the volume of investment in fixed capital amounted to 403.4 billion rubles. This is almost a third of all funds invested in the economy of the far Eastern Federal district. The top three is closed by the Amur region (239.7 billion rubles) and the Sakhalin region (218.3 billion rubles). Primorsky Krai is in fourth place (141.9 billion rubles)[7]. In connection with the transfer of the Republic of Buryatia and Zabaikalsky Krai to the far Eastern Federal district in November 2018, we can note a sharp increase in the flow of investment in the development of Zabaikalsky Krai. Despite the insignificant absolute amount of investment, only 90 billion rubles, the growth rate for 2017-2018 was almost 80% (Figure 1).

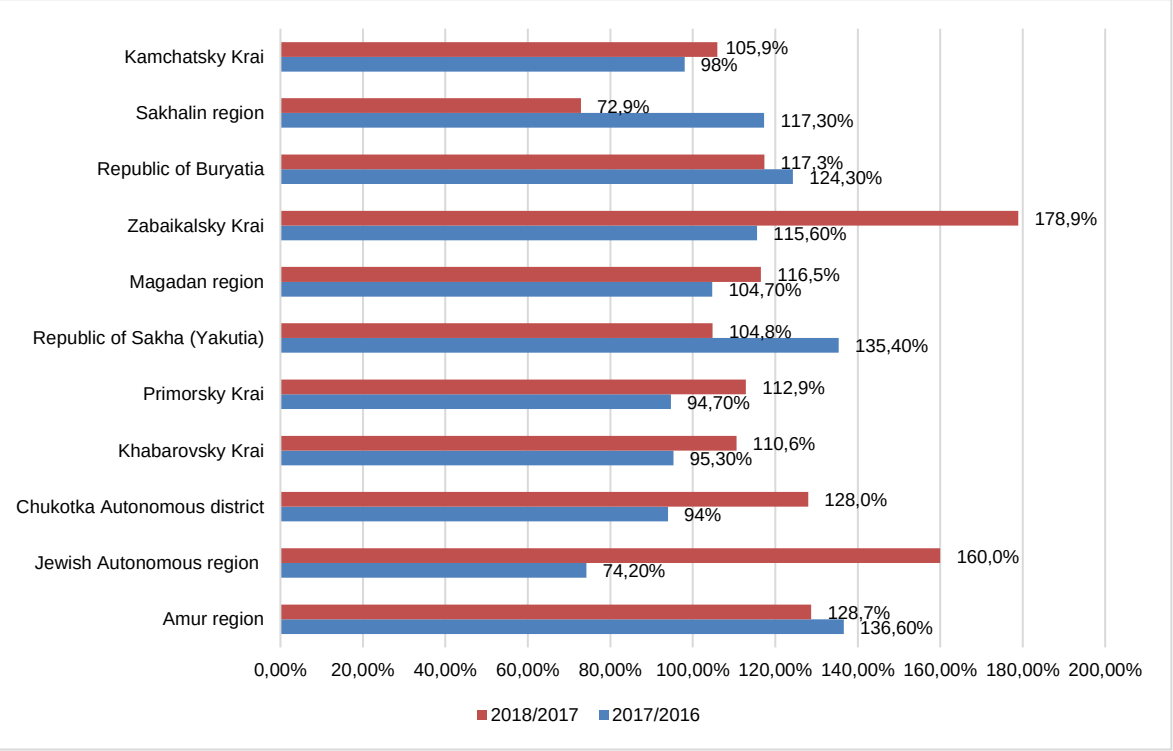

Figure 1
Investment growth rates for the regions of the Far East for 2016-2018, %

The leader in terms of growth of investment in fixed assets in 2018 compared to 2017 was the Jewish Autonomous region (160%), however, in absolute terms it was only 16.8 billion rubles. In the second place, the Chukotka Autonomous district with 128% and the Amur region with 128.7%. At the end of 2018, Khabarovsky Krai recorded an increase in investment in fixed assets: the growth rate was 110.6% compared to 2017. Next, it is advisable to determine the contribution of each region to the investment climate of the Far East (Figure 2).

[7] Investicii Primorskogo kraja. Available at: http://primstst.ru/

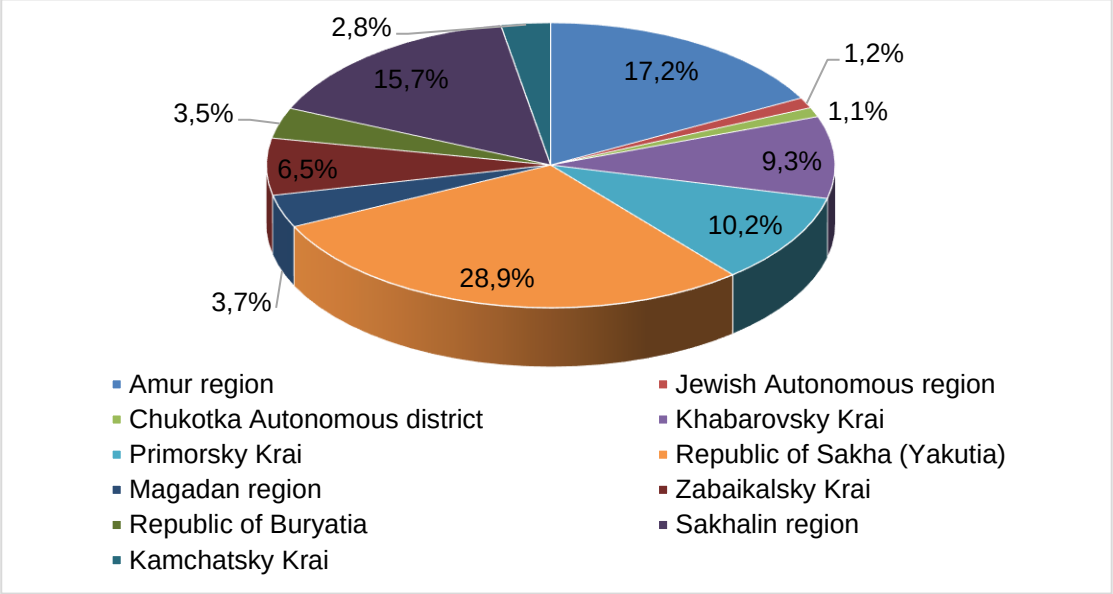

Figure 2
Regional structure of Far East investments for 2018, %

The Republic of Sakha accounts for about 30% of the total investment in the district. Several major investment projects in various sectors of the economy are being implemented on the territory of Yakutia. In the fuel and energy complex, one can mention the development of new fields, construction of the gas pipeline "Power of Siberia" and creation of areas of advancing socio-economic development of South Yakutia and in the mining complex – projects for the development of gold and diamond deposits. Major projects are also being implemented in the field of energy, agriculture and tourism.

After the transition from Siberia to the Far East regions, Buryatia began to receive financial support from the state budget for the reform of social spheres. Thus, until 2021, Buryatia will have more than 1.8 billion rubles on the development of culture and Far Eastern grants of 0.5 billion rubles on the development of sport already this year. Moreover, three utility objects will receive 160 million rubles in the framework of a "single" Far Eastern subsidy. Simplification of legislation in the field of construction is possible as well. However, the transition to the far Eastern Federal district has not yet had a significant impact on the development of investment potential. At the moment, Buryatia is still connected geographically with the Baikal development zone and the Irkutsk region and the tourism, recreational, forestry and aviation clusters remain the most promising. However, the problems that have arisen around the lake Baikal (related to the intake of drinking water) may result in a weakening of relations with neighbouring China – the main investor in Buryatia. The Jewish Autonomous region remains one of the lowest-budget regions of the Far Eastern Federal district.

Assessment of investment climate

Let us consider the national assessment of the investment climate, based on the opinions of entrepreneurs and experts (Table 2). The Agency for Strategic Initiatives evaluates 45 indicators in four areas: "Regulatory environment", "Institutions for business", "Infrastructure and resources" and "Small business support".

Region	Final rating	Regulatory environment	Institutions for business	Infrastructure and resources	Small business support
Amur region	V	E	E	C	D
Kamchatsky Krai	III	B	D	D	A
Magadan region	IV	E	B	D	B
Primorsky Krai	III	C	C	C	D
Republic of Sakha (Yakutia)	III	D	C	D	A
Sakhalin region	IV	B	B	E	C
Khabarovsky Krai	IV	D	C	D	E
Jewish Autonomous region	V	B	D	D	C
Chukotka Autonomous district	V	B	D	D	C
Zabaikalsky Krai	V	E	C	E	D
Republic of Buryatia	IV	B	D	D	C

Table 2

National rating of the investment climate in the regions of the Far East for 2018

As can be seen from Table 2, this rating considers indicators in four areas: the regulatory environment (quality of public services), institutions for business (the availability and quality of institutions to protect and improve the investment environment), infrastructure and resources, as well as support for small business. In 2018, the following regions of the far Eastern Federal district were recognized as lagging behind: Amur region, Jewish Autonomous region, Kamchatsky Krai, Magadan region, Primorsky Krai, Yakutia, Sakhalin region, Khabarovsk Krai and Chukotka Autonomous district. One of the most common approaches is to evaluate investment attractiveness using such criteria as:

- potential rank;

- risk rank;

- share in the national potential (Table 3).

Region	Risk grade	Potential grade	Share in the national potential, %
Amur region	45	64	0.514
Kamchatsky Krai	74	71	0.429
Magadan region	68	78	0.328
Primorsky Krai	47	22	0.186
Republic of Sakha (Yakutia)	56	20	1.238
Sakhalin region	55	28	0.652
Khabarovsky Krai	51	30	0.992
Jewish Autonomous region	78	82	0.206
Chukotka Autonomous district	81	80	0.269
Zabaikalsky Krai	52	72	0.666
Republic of Buryatia	70	48	0.677

Table 3

Assessment of the ranks of investment attractiveness of the Far East regions for 2018

Primorsky Krai was ranked 47th in the investment risk rating of Russian regions for 2018. In the previous RAEX ranking (Expert RA), the region was ranked 53rd[8].

According to the second criterion, namely the investment potential of the subjects, Primorsky Krai is among the leaders, taking the 22nd place. Of the Far East regions, only the Republic of Sakha (Yakutia) is higher – the 20th place. The reduced investment potential in Primorye is explained by the frequent change of power at all levels and the low level of implementation of initiatives in the development of the Far East. The highest level of risk is observed in the Chukotka Autonomous district and the Jewish Autonomous region: 81 and 78. Also, these regions are characterized by a small amount of investment and the smallest share in the national potential – 26.9% and 20.6%.

The next step is a comparative assessment of the investment attractiveness of the Far East regions for 2018 using the methodology of the international rating Agency RAEX. According to the data in Table 3, Primorsky Krai is ranked 77th and has a rating of 3B1 (confirmed in December 2018), which means reduced potential and moderate risk[9].

Rating	Region	Qualitative rating and risk assessment
68	Zabaikalsky Krai	Reduced potential – high risk (3C1)
75	Republic of Sakha (Yakutia)	Reduced potential – moderate risk (3B1)
76	Kamchatsky Krai	Low potential – high risk (3C2)
77	Primorsky Krai	Reduced potential – moderate risk (3B1)
78	Khabarovsky Krai	Reduced potential – moderate risk (3B1)
79	Amur region	Low potential – moderate risk (3B2)
80	Magadan region	Low potential – moderate risk (3B2)
81	Sakhalin region	Reduced potential – moderate risk (3B1)
82	Jewish Autonomous region	Low potential – high risk (3C2)
83	Chukotka Autonomous district	Low potential – high risk (3C2)

Table 4
Comparative assessment of investment attractiveness of the Far East regions for 2018 using the methodology of the international rating Agency RAEX

According to Table 4, the Sakhalin region is assigned to the group "reduced potential – moderate risk" (3B1). The Amur region with 79th place and the Magadan region with 80th position entered group 3B2. Chukotka Autonomous district (83rd place), Jewish Autonomous region (82nd place) and Kamchatsky Krai (76th place) were included in the group of subjects with "low potential – high risk" (group 3C2)[10].

Results

The final step is a comparative assessment of the investment attractiveness of the regions of the Far Eastern Federal district using the NRA (National Rating Agency) method (Table 5)[11].

[8] E. V. Levkina; N. F. Bazhenova, “Kompleksnaja statisticheskaja ocenka investicionnoj privlekatelnosti Primorskogo kraja i puti ee rosta”, Finansovyj menedzhment, num 3 (2017): 48-55.
[9] E. V. Levkina; I. A. Kuz'micheva y V. V. Malysheva, “Ocenka investicionnoj privlekatelnosti gostinichnogo hozjajstva (na primere Primorskogo kraja)”, Azimut nauchnyh issledovanij: jekonomika i upravlenie, Vol: 8 num 27 (2019): 216-218.
[10] E. V. Levkina; I. A. Kuz'micheva y V. V. Malysheva, Ocenka investicionnoj privlekatelnosti…
[11] R. A. Jekspert, Available at: http://raexpert.ru/

Rating level	Region	Qualitative rating and risk assessment	
68	Zabaikalsky Krai	IC9	moderate investment attractiveness
75	Republic of Sakha (Yakutia)	IC3	high investment attractiveness
76	Kamchatsky Krai	IC5	average investment attractiveness
77	Primorsky Krai	IC4	average investment attractiveness
78	Khabarovsky Krai	IC3	high investment attractiveness
79	Amur region	IC4	average investment attractiveness
80	Magadan region	IC3	high investment attractiveness
81	Sakhalin region	IC2	high investment attractiveness
82	Jewish Autonomous region	IC8	moderate investment attractiveness
83	Chukotka Autonomous district	IC4	average investment attractiveness

Table 5
Comparative assessment of investment attractiveness of the Far Eastern Federal district regions for 2018 using the NRA methodology

In the ranking of 2018, the Magadan region, Sakhalin region, Yakutia and Khabarovsky Krai had a high level of investment attractiveness (groups IC1, IC2, IC3); Kamchatsky Krai, Primorye, the Amur region and Chukotka Autonomous district were the regions with an average level. Outsiders in the rating of the indicator of investment attractiveness at the end of 2018 were the Jewish Autonomous region and Zabaikalsky Krai. In Kamchatsky Krai, one of the key roles in this process is played by the Development Corporation as a regional development institute, which implements the creation of a cluster development centre, public-private partnership competence centre, project support centre and collective investment platforms. The promotion of investment potential is associated with a high level of political stability in Kamchatka, compared with neighbouring Khabarovsky and Primorsky Krais, as well as Yakutia and even Sakhalin. Kamchatka can also become a locomotive of Far East development, as the region in the framework of the social development Plan for Economic Growth Centres until 2020 should receive 4.7 billion rubles for the development of the socio-economic sphere. Kamchatsky Krai also shows record growth in the national rating of the state of the investment climate (ASI – Agency for Strategic Initiatives). Qualitative changes in business conditions, information openness, support for small and medium-sized business, development of infrastructure projects, availability of loans and other support tools – all this allowed Kamchatka to implement its investment potential[12]. For one stage (from IC9 to IC8) the rating of the Jewish Autonomous region was raised and (from IC5 to IC4) the rating of Primorsky Krai.

Conclusions

Thus, in 2018, we can note an improvement in the investment attractiveness of some regions of the Far East, such as risk reduction, investment growth and improvement of investment ratings. A distinctive feature of the original approach is the comparison of investment amounts, growth rates, investment potential and rating between regions[13]. This approach allows us to clearly illustrate the real state of investment attractiveness of the regions, taking into account both quantitative and rating criteria. The main directions of growth of investment attractiveness of the regions are increasing the permanent population in the region, the inflow of investments, as well as "changing the structure of the

[12] Investicionnaja karta Dalnevostochnogo Federalnogo. Available at: http://map.minvr.ru/
[13] E. V. Levkina y N. F. Bazhenova, “Kompleksnaja statisticheskaja ocenka…

economy and integration into the Asia-Pacific region with the effective use of its resource base and transit potential of the territory"[14].

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