

Regional Investment Policy Formation in the Russian Arctic

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Abstract-This article presents two aspects of fundamental problem of attracting investment resources in the economy of the Arctic zone of Russia and enhancement of their efficiency. The first aspect consists in study of conceptual framework of the national policy of Russia for exploring and sustainable development of Arctic. The second aspect deals with identification of peculiarities in formation of the investment policies of regions of the Arctic zone of Russia. Relevance of these aspects is determined by the increasingly important role of Arctic both for the Arctic states and the world community in the whole. At the same time, achievement of strategic goals and solution of priority tasks of the state Arctic policy of Russia is not possible without large-scale and long-term investments to be efficiently attracted and used by the regions. The article deals with conceptual framework of the state policy of Russia in Arctic, provides the results of benchmarking the investment strategies of Arctic regions, and describes the peculiarities and drawbacks of the considered strategic documents. The article substantiates the necessity of adoption of a comprehensive law providing for institutional integrity of Arctic territories of Russia.

Keywords-*Arctic zone of Russia, regional investment policy, strategic planning*

I. INTRODUCTION

Strategic approach to the practice of regional and municipal governance has been used abroad widely and for long, and has been widely applied in Russia only in the beginning of 2000s [1].

Based on this approach, the key goal of regional investment policy is a structural economic transformation from the perspective of attaining the strategic objectives of the territory development [2], and the regional investment policy implementation includes two interrelated stages that require further elaboration: 1) strategic planning at the formation stage; 2) regulation of the investment activity at the implementation stage.

In this article, we consider only the first stage of regional investment policy implementation keeping in mind the necessity of further studies. Whereas the regional investment policy is implemented at two levels from the spatial point of view – by the government in respect of the regions (national level) and directly by the regions in respect of their territories

(regional level), we have first considered the conceptual framework of the national Arctic policy of Russia.

II. CONCEPTUAL FRAMEWORK OF THE NATIONAL ARCTIC POLICY OF RUSSIA

The Arctic zone of Russia was determined as a special target of governmental regulation in the Concept of Governmental Support of Economic and Social Development of the Northern Regions (2000). It was expected to attain the sustainable development of the Arctic regions as a result of the Concept implementation in three stages: 2000–2003 – stabilization of social and economic development and transition to sustainable growth, 2004–2010 – attainment of average Russian levels of economic upswing and growth of real income of the population; 2011–2015 – sustainable development of the Arctic regions. However, the practical effects of the Concept implementation were irregular development of the Arctic regions, adverse demographic processes, social strain at the territorial labor markets, declining living standards of the population, social infrastructure problems etc [3].

The new stage of the national Arctic policy of Russia commenced with adoption of the Framework of Arctic National Policy of the Russian Federation for a Period up to 2020 and in Future (2008). The document outlined the national interests of the state – use of the Arctic zone as a strategic resource base of the country, Arctic preservation as an area of peace and cooperation, protection of unique environmental Arctic systems, use of the Northern Sea Route as a national integrated transport system.

Thereafter, the Strategy of the Russian Federation Arctic Zone Development and National Security Protection for a Period up to 2020 was adopted (2014). It determined the following priorities of the national Arctic policy: integrated social and economic development of the Arctic zone; development of science and technologies; creation of modern information and telecommunication infrastructure; maintaining environmental safety; international cooperation; maintaining military security, Russian national border protection and control in the Arctic areas.

Furthermore, in 2014, the national program Social and Economic Development of the Arctic Zone of the Russian Federation for a Period up to 2020 (further – the Program)

was formulated. The key means of the Program implementation were the development supporting areas established on the basis of the existing administrative and territorial division of the Arctic zone and targeted to implement the comprehensive investment projects in two global areas [4, 5, 6]:

1) Establishment of large mineral resource centers. For instance, it is planned to implement the projects Yamal LPG and Arctic LPG-2 (Yamalo-Nenets supporting area); development of mine fields of Usinsk coal and carboniferous deposits (Vorkuta supporting area); creation of the onshore support base for shelf projects in the Barents Sea, the Kara Sea and the Pechora Sea (Kola supporting area) etc.

2) Modernization and development of the Arctic transport system. Here, it is proposed to implement the transcontinental project of development of the Northern Sea Route as a link between all eight supporting areas, and implementation of the range of inter-regional infrastructure projects: Northern Latitudinal Railway, development of Murmansk transport hub, construction and modernization of sea ports, airports, road and railway infrastructure of Arctic regions, etc.

In general, beside the national programs, the conceptual framework of the Arctic policy of Russia includes over 500 regulations governing the relations in various spheres of activities including legal status of individual projects in the Arctic zone (e.g. navigation over the Northern Sea Route), regional programs and strategies of territories development, investment programs of natural monopolies (e.g. the long-term program of activities of the State Company Russian Highways, strategy and long-term program of development of RZD holding, etc.).

However, certain studies [7, 8], including those carried out by the authors [9], demonstrate that, often, many effective regulations do not fully take into account the specific aspects of the Arctic territories, in particular, extreme natural and climatic conditions, economic and social environment, remoteness and inaccessibility of Arctic settlements. Hence, for the purpose of further successful exploration and development of Arctic, its protection against adverse man-induced impact, to secure national interests and state security, it is necessary to reconsider the whole Arctic law, and bring it in conformity with the requirements of Arctic as a unique macro-region of planetary importance. One of the most important steps in this area could be adoption of the comprehensive law on Development of the Arctic Zone of the Russian Federation which should address the specific aspects of the region without replicating the provisions of numerous legal instruments of federal and regional levels, and support institutional integrity of the Arctic territories.

III. REGIONAL INVESTMENT POLICY IN THE ARCTIC ZONE OF RUSSIA

In accordance with the RF law, since 2013, all regions of Russia have been implementing the standard of Activities of

Executive Bodies of the Russian Federation Region for support of the Favorable Investment Climate (further – Standard). The Standard is represented by minimal code of practices and organizational decisions aimed to enhance the investment attractiveness of the region. One of the most important of them is aimed to development and approval of the regional investment strategy.

For the purpose of identification of peculiarities in formation of the regional investment policy, we have conducted a comparative analysis of the investment strategies of the Arctic regions in the following critical areas: strategic goals and objectives, priorities and scenarios of investment development, system of target indicators. Since no investment strategies have been developed for Chukotka Autonomous District and the Republic of Komi, we have not considered them in our study.

Analysis of internal content of the investment strategies showed that the most investment policies focused on enhancement of investment attractiveness of the region, and most of objectives included formation of a positive investment image and enhancement of the territory attraction. At the same time, a serious logical error was found out in the strategy of Arkhangelsk Region, specifically in formulation of goals and objectives of the regional investment policy. Creation of comfortable conditions for business operations was declared as a key goal of the strategy. Its achievement was expected through maintaining a stable investment inflow and raising the position of Arkhangelsk Region in various investment ratings. However, on the contrary, creation of comfortable conditions for business operations has an effect on the position in the investment ratings and investment activity level. This error is an evidence of poor quality of the strategy of Arkhangelsk Region.

The most perspective industry-specific and territorial investment priorities were identified in all reviewed strategies. In a number of regions, the growth is mostly related to development of territorial clusters (mainly mining, tourist & recreational, transport & logistical and forestry clusters). Interestingly, the strategy of Murmansk Region also describes the clusters typical for the Arctic regions: technology cluster for Arctic shelf production support, cluster of unconventional energy, cluster of the Northern design and traditional industries.

The strategy implementation scenarios have been developed in three Arctic regions – Republic of Karelia (inertial, investment, innovative and optimal), Murmansk Region (advanced scenario as compared to the competitive regions – targeted, basic, stabilizing) and Krasnoyarsk Territory (targeted). It should be noted, that the strategy of Murmansk region formulated the regional investment development scenario different from the traditional scenarios. It assumes elimination of adverse impact of slowdown of the world economy and creation of conditions for the jump-start in the phase of its new growth focused on the operative regulation providing for prompt localization and further elimination of adverse phenomena. In the Republic of

Karelia, scenarios have been developed in the context of implementation of the social and economic development strategy of the Republic of Karelia up to 2020, and scenario of the Krasnoyarsk Territory is based on the targeted (boosted) scenario of the long-term development of Russian economy in accordance with the Forecast of the Long-Term Social and Economic Development of the Russian Federation for a Period up to 2030.

The system of targeted indicators is presented only in the reviewed strategies of two regions – Yakutia (31 indicators of achievement of the key goal) and Murmansk Region (31 indicators of achievement of the key goal and implementation of each objective, as well as 17 indicators of social and economic effects of the strategy implementation). The strategies of other Arctic regions provide no specific reference of the targeted indicators to the key goal and objectives, and the number of indicators vary from 4 (Krasnoyarsk Territory) to 13 (Arkhangelsk Region). The strategies of the Republic of Karelia and Nenets Autonomous District do not include the system of targeted indicators at all. Hence, major drawback of the most of reviewed strategy documents is the lack of the measurable criteria for attainment of the goals and objectives, which will significantly impede further assessment of efficiency of the regional investment policy.

In general, the analysis of the investment strategies of the regions of the Arctic zone of the Russian Federation shows that the investment strategy of Murmansk Region can be recognized as the most clear strategy with identification of investment priorities, statement of the goals and objectives, targets, detailed implementation mechanism, various forecasted scenarios of investment development, including stabilizing efforts focused on operative response to external adverse phenomena. Strategies of other regions provide a quite vague representation of the investment potential components and scenarios of development of investment situation in the region, with the measurable criteria of attaining the key goals and objectives of the strategy implementation lacking in most of them.

IV. SUMMARY

Summarizing the foregoing, it can be noted that, at present, the national Arctic policy of Russia is only at the conceptual stage. At the same time, in the long-term the unique resource potential of Arctic calls for development of the national policy focused on transition to sustainable development both of the region and the country in the whole, and for building social and economic potential. However, development and rational use of natural resources of Arctic is not possible without large-scale and long-term investments to be effectively attracted by the regions. Efficiency of the investment policy and implementation of Arctic projects directly depends on decisions and actions of the regional authorities. This, in the first place, necessitates adoption of a comprehensive law that would reflect the specific aspects of Arctic territories of the country and provide for their institutional integrity. Furthermore, it is necessary to ensure consistency and

harmonization of decisions and actions of the governmental authorities at various levels, and improvement of quality of the strategic documents developed at the regional level.

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