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Regional development corporation in Russia - the problem of functioning

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Аннотация

The transition to a market economy for the Russian regions has complicated the old problems of regional development and created new ones. As a result, there was an imbalance in regional development. Some regions received additional incentives for their development, while many regions experienced stagnation. Regional policy measures are required to correct this imbalance. This becomes possible with the use of special mechanisms for regional development. These include Development Corporations. Such corporations were created in the 1960s and 70s and operate in the United States, Colombia, Brazil, Belgium, and other countries. Development corporations have now been established in many Russian regions. According to the organizational and legal structure, most of them are joint — stock companies. Their founders and main shareholders are almost always the regional governments. The main goal of these corporations is to develop the regions by attracting investments for the implementation of various projects. The main task of the functioning of development corporations is the implementation of the mechanism of public-private partnership. However, the effectiveness of this mechanism of regional development for the vast majority of regions is low due to a number of three groups of factors — institutional, exogenous, and endogenous. The result of their combined action is the low efficiency of regional development corporations. The analysis of the reasons for low efficiency allows us to use the potential of development corporations, taking into account the world experience and Russian specifics. This question is currently insufficiently sanctified and this article is intended to eliminate this as far as possible.

Ключевые слова: region, regional development, development corporation, investment, regional development institute, regional policy

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¹ **Introduction.** The market development of Russia has not only created new opportunities, but also sharpens the old problems of its regional development. While the Soviet policy of regional development was completely destroyed, a new one, already Russian, was just being created. In many ways, this development occurred spontaneously and was “compressed” in a historically short period of time. The result of this situation was an increased regional inequality in various regions of the country due to the increased concentration of the economically active population, infrastructure facilities, investments, as well as ill-considered decisions of the authorities of the socio-economic plan [19]. This situation requires a corrective policy in the regional sphere. For this purpose, a number of mechanisms have been created, whose tasks are to produce regional development. Among them, such structures as Development Corporations deserve attention.

² **The purpose of the study** is to identify the features of functioning Development corporations in Russia and determine the reasons for their lack of effectiveness.

³ **The results of the study. Development corporations — definition and world experience of functioning.** Development institutions play an important role in the socio-economic development of territories in a market economy [14]. However, more often the development is produced by specially organized structures for this purpose. Despite the wide range of their names, and these can be development agencies, special funds, special zones, etc., their goal is to accelerate the socio-economic development of any territory with the help of a special set of measures and preferences.

⁴ They may include providing simplified access for investors and businessmen, creating an “investment-oriented climate”, and ensuring the interaction of project stakeholders.

⁵ Despite the problems of the post-Soviet period, various development mechanisms exist in a number of Russian regions. Among such structures, such organizations as Development Corporations (hereinafter referred to as the DC) are widely represented.

⁶ The exact definition of this term has not yet developed, but if a corporation is a set of persons who unite to carry out joint activities and achieve common goals [5], then the DC of a region is an association that sets goals for regional development while attracting investment becomes the main factor of this development [13]. In addition, the investment attractiveness of the region is increased due to the interaction of government authorities and businesses.

⁷ It is worth mentioning right away that the DC is not a Russian invention, and some experience has been gained abroad in this area. In this regard, we will conduct a brief overview of the world experience of the functioning of credit institutions.

⁸ In the United States, there are structures with the name of the Economic Development Administration, which are DC essentially. They belong to the jurisdiction of the Ministry of Commerce. They were created under the Regional Development Act of 1975. Their main task is to stimulate the innovation activity of depressed territories by creating special clusters, technology parks, and business zones. As a result, such activities should improve the quality of life, the competitiveness of the region on a national scale. The mechanism for implementing this task is the system of state grants, technical assistance, and the creation of special state programs. This work is carried out throughout the United States and includes a three-level system of development plans — for the reconstructed areas (of which about 2 thousand), for the districts of economic development (116 of them), for multi-state regions (9 of them).

⁹ In addition, the authorities at the local level have the right to create local economic development corporations. They are designed to accelerate economic development in a particular territory through credit mechanisms and state support. They are credited by private construction companies working in the reconstructed areas on preferential terms with a term of interest payments for 25-30 years. In turn, local authorities allocate land, with reduced rents, for new construction [15].

¹⁰ Latin American countries have largely adopted the mechanisms of regional cooperation development in the United States. Thus, the Cauca River Valley Development Corporation was established in Colombia. The purpose of its creation was utilitarian—the production of hydroelectric power and the management of hydroelectric power plants. Only later did this organization become a full-fledged development agent.

¹¹ In Brazil, the Northeast Development Agency was established in 1959. Its creation was an attempt by the Brazilian government to smooth over the problems of the northeast of the country caused by its lag in terms of social and economic development. The main task of the established agency was to attract investment to this territory. This was ensured with the help of tax preferences. Later, in Brazil, other analogs of the DC have been created: the Agency for the Development of the Amazon (1966) and the Agency for the Development of the Central-Western Region (1967) [15].

¹² Belgium is characterized by the creation of two structures that act as DC: regional investment companies and regional development corporations. The first structures are engaged in stimulating the creation, reconstruction, and expansion of private firms, as well as promoting the creation of new state-owned companies. Regional development corporations have other tasks — they manage regional data

banks, which allows monitoring regional development, implement territorial project management, and support the interests of important economic sectors for this territory.

¹³ Regional corporations, which are essentially DC, operate in Italy, the Netherlands, and Canada. In these countries, they operate in the form of investment companies and regional trust funds. Through their activities, they ensure the functioning of the mechanism of public-private partnership [6].

¹⁴ Even from this brief overview, it is clear that for states that differ in their structure and level of socio-economic development, the creation of specialized mechanisms for regional development in the form of the DC (under different names) is not something special. At the same time, there are general specific features of functioning — the state creates a special body for the development of the territory and determines its main tasks in this area, ensuring its activities through any preferences.

¹⁵ Development corporations in Russia. A total of 62 DC currently operate in the Russian regions, operating in 59 constituent entities of the Russian Federation. In other words, this development tool functions in 2/3 of the country's regions, which makes it one of the most common. The DC are shown in Table 1.

¹⁶ The founders of the DC in the vast majority of cases are the governments of the regions. In some cases, the DC is created by large companies together with the authorities (the DC of the Republic of Sakha (Yakutia) or the authorities with one large commercial structure (the DC of the Vologda and Samara regions) [10].

¹⁷ According to the organizational and legal form of the DC, they are most often joint-stock companies, and the only shareholder is the state. Several corporations are open joint-stock companies with limited liability or non-public joint-stock companies, and some DC are state-owned unitary enterprises [1; 10].

¹⁸ *Table 1* Development corporations in the regions of Russia [1; 10; 12]

Region	Website	Year of foundation
Regions		
Arkhangelsk	http://www.DCao29.ru/	2014
Belgorod	http://www.belgorodinvest.com/	2011
Bryansk	http://russiaindustrialpark.ru/korporaciya_razvitiya_bryanskoy_oblasti	2012
Vladimir	http://vladinvestcorp.ru/	2014
Volgograd	http://www.investvolgograd.ru/	2010
Vologda	http://www.invest35.ru/	2012
Irkutsk	http://aoDCio.ru/	2013
Kaliningrad	http://www.kgd-rdc.ru/	2012
Kaluga	http://invest.kaluga.ru/	2007
Kirovsk	http://razvitie43.ru/	2012
Kurgan	http://investkurgan.ru/	2014
Kursk	http://invest46.ru/	2013

Lipetsk	http://www.oezru.ru/	2007
Moscow	http://www.mosregco.ru/	2012
Murmansk	http://invest.gov-murman.ru/podderzhka_biznesa/korporaciya_razvitiya_murmanskoj_oblasti/	2013
Nizhny Novgorod	https://www.nn-invest.ru/ru/investment-team/DCno	2013
Novgorod	–	2014
Orenburg	http://www.orbinvest.ru/development_corporation/	2011
Orel	http://www.park57.ru/	2011
Omsk	http://www.investomsk.ru/	2013
Penza	http://www.DCpo.ru/	2009
Rostov	http://www.rDC61.ru/	2014
Ryazan	http://rred.ru/	2012
Samara	http://www.razvitie63.ru/	2008
Sakhalin	https://korpso.ru/	2016
Sverdlovsk (Ekaterinburg)	http://investural.com/	2010
Smolensk	http://www.smolinvest.com/forinvestors/ved_corporation.php	2012
Tambov	http://razvitie68.ru/	2012
Tver	http://DCcx.ru/	2012
Tomsk	http://DCto.tomsk.ru/	2013
Tula	http://www.invest-tula.com/tulskayaregionalnaya-korporatsiya-razvitiya-gchp/	2004
Ulyanovsk	http://www.ulregion.com/	2009
Yaroslavl	https://invest76.ru/	2016
DCai		
Zabaykalskiy	https://www.zab-investportal.ru/spetcialorganization/	2014
Kamchatskiy	http://www.DCkk.pro/	2013
DCasnodarskiy	–	2016
DCasnoyarskiy	http://www.DCdc.ru/	2006
Permskiy	http://www.investperm.ru/main/	2006
Primorskiy	http://cdprim.ru/	2013
Stavropolskiy	http://razvitie-stav.ru/	2015
Khabarovskiy	http://кpxк.рф/	2015
Republics:		
Bashkortostan	http://DC02.ru/	2010
Buryatiya	–	2013
Dagestan	http://www.oaoDCd.ru/	2013
Ingushetiya	https://aoDCri.ru/	2016
Karachaevo-Cherkessiya	–	2016
Kareliya	http://DC-rk.ru/	2011

Crimea	http://DC82.ru/	2015
Mordovia	http://investrm.ru/	2013
Yakutiya	http://corp-sakha.ru	2014
Udmurtiya	https://madeinudmurtia.ru/	2018
Chechnya	https://invest-chechnya.ru/	2016
Chuvashiya	http://DCchr.ru/	2011
Cities of federal significance		
Saint-Petersburg	–	2010
Sevastopol	https://investsevastopol.ru/ru/investoram/institut-razvitiya/	2016
Interregional DC		
Zelenograd	http://www.zelbi.ru/	2013
Development corporation (Tyumen)	–	2017
Development corporation of Far East and Arctics	http://www.erdc.ru/	2015
Development corporation (former «Ural Industrial — Ural Polar»)	http://www.cupp.ru/	2008
Northern Caucasus	http://DCskfo.ru/home	2010
Southern Yakutiya	http://sy-corp.ru/project/44.htm	2013

¹⁹ Despite all the diversity of existing CD in the Russian regions, it is possible to identify common goals and tasks for them.

²⁰ The main objectives of the creation of these institutions of regional policy are:

- the formation of a favorable investment climate — with the help of the simplified regime for investors;
- ensuring effective interaction between business and the state in the implementation of investment projects while minimizing bureaucratic procedures and actions in conditions of maximum transparency [12].

²¹ The tasks of development corporations are: 1) implementation of operator functions in relation to investment projects at all stages; 2) investment marketing of the region; 3) determining the optimal participation in investment projects; 4) implementation of the public-private partnership mechanism; 5) social orientation in the implementation of projects [13].

²² The activities of corporations differ depending on the regions, their inherited structure of the economy (the “track factor”), natural conditions, and the priorities of the regional authorities for economic development. In general, each corporation forms an “investment portfolio” of projects with different implementation dates [13]. At the same time, it is extremely important that corporations represent the interests of business and the state, acting as an important component in the formation of public-private partnerships (less often — concession agreements [7]). In addition, it allows avoiding duplication of functions between state authorities in the region, which helps to smooth out bureaucratic barriers that often hinder the most successful projects, as well as creating conditions for sustainable economic development in the long term.

²³ The specific areas of activity of DC in the regions are quite differentiated. In general, these areas can be divided into the blocks — development and selection of investment projects-corporations both develop investment proposals themselves and accept projects of the business community for consideration or revision:

- creation of zones of advanced development — industrial parks and zones, technoparks, engineering centers, agro-industrial parks. Creating “growth points” is extremely important in the conditions of centralization of economic activity of Russian regions in their administrative centers and their immediate environment. The creation of new centers of economic activity outside of them allows us to “broadcast” development to new territories. In fact, a number of DC are engaged only in this block of activities;

- development of infrastructure facilities — infrastructure is one of the most important factors of regional development. The saturation of infrastructure facilities largely ensures the investment attractiveness of a particular territory [2]. As a rule, the DC is engaged in the development of the infrastructure component of priority development zones, however, there are exceptions when purely infrastructure projects are carried out — for example, the development of airports, the construction and operation of railways, etc.;

- the use of the available resource and economic potential is one of the most common areas of activity. The underutilization of existing potentials has caused serious problems in the investment and economic development of a large number of regions, and by developing this area of activity, the DC is trying to smooth out barriers to regional development as much as possible [12].

²⁴ As already noted, the DC operates in 2/3 of the Russian regions. At the same time, this mechanism did not have a significant impact on the investment regime of the Russian regions, as well as on their entire socio-economic development as a whole. In other words, the DC, formally existing, did not create special preferences for its own regions, despite the experience available in the world practice. In this regard, it is of interest to analyze the factors of low efficiency of the DC of the Russian regions.

²⁵ The reasons for the inefficient work of development corporations. The factors of low efficiency of the DC in Russia can be divided into three groups: institutional (caused by problems at the federal level), exogenous (external-caused by problems of a regional order), endogenous (internal — caused by problems within corporations themselves).

²⁶ *Institutional factors* arise due to the imperfection of legislation and the work of executive authorities. The most important aspect for the functioning of the DC is the fact that, despite the pronounced regional differences in the Russian Federation, there is still no single law on regional development. It is worth noting that attempts to create such a document have been made repeatedly [15; 16]. There were also repeated changes in the structure and name of the state agency that was supposed to carry out this development until 2014 when the Ministry of Regional Development of Russia was abolished. In 2018–2020, the Ministry of North Caucasus Affairs functioned and was later abolished. However, at the moment there are federal ministries for the development of the Far East and the Arctic (as an extremely specific territory [3; 11]). Such a fragmented approach to the unified space of the country, coupled with imperfect legislation, act as serious barriers both for the development of regions in general and for separate mechanisms of their development, such as the DC.

²⁷ *Exogenous factors* are caused by problems that arise at the regional level. These include:

- lack of clearly defined priorities for regional development. In the absence of a unified policy of regional development at the federal level, the regions tend to develop their own policy. However, most often the goals of such a policy become either too vague or not feasible enough due to the specifics of this territory. As a result, it is not entirely clear what the priorities of the region are, and what types of economic activities are priorities for its development;

- the development of “paper” projects is largely related to the previous paragraph. Formally, the region may have a set of different documents of the strategic plan, however, they remain on paper. The reason is simple the formal approach produces a formal document that is not related to reality;

- lack of a regulatory framework in most regions — laws in DC have been adopted only in some regions. In most subjects, there is no regulatory framework regulating the special status of DC [17];

- transfer of existing regional resources to external business structures – it is necessary to note the fundamental contradiction characteristic of Russian regions between their own and foreign owners on their territory. In the case of the transfer of ownership to large business groups and structures, the region is often deprived of the most important levers of influence on economic development [4]. At the same time, many regions are striving to attract such structures, since they themselves cannot effectively master the existing potential. And here the still poorly used potential of the DC is significant for optimizing the dynamics of property rights due to their internal reconfiguration, and not only the admission of an external investor (although world experience directly indicates this possibility) [9].

²⁸ *Endogenous factors* are caused by internal problems of DC itself:

- poor awareness of the results of work-analysis of the DC websites shows that data on their work is “delayed” by several years. Therefore, it is often difficult to analyze their work. Moreover, numerous projects formally implemented by the DC are also often displayed only as a “picture” without static information about their implementation. This should also include the lack of specialized sites in some DC;

- lack of coordination between different CD, lack of a single platform for cooperation and exchange of experience — as you know, often equal cooperation, and not just competition, allows you to achieve high results [8]. It would be convenient to carry out such cooperation within any organization uniting the DC. It should be noted that attempts to create such a platform have occurred repeatedly [10]. To some extent, the lack of a unifying platform can be compensated by the participation of the DC in existing associations — the National Association of Investment and Development Agencies, the Association of Industrial Parks, the Association of Regional Investment Agencies. However, the goals of creating these organizations are different, as well as the small number of CD members. They cannot be full-fledged platforms for cooperation and exchange of experience. There is also virtually no cooperation between different CD, even between covering neighboring regions. The interaction between them is random [17]. At the same time, it should be noted that such structures are a pronounced factor in increasing regional competitiveness [18].

Conclusion. Development corporations are a well-developed mechanism of regional development that has been used in the world for quite a long time. However, the positive international experience in this area has not yet shown itself for the Russian regions, despite the formal wide dissemination. The developing role of development corporations is hindered by three groups of factors — institutional, exogenous, and endogenous, which act simultaneously. At the same time, it is quite possible to mitigate their influence — after all, a short stage in the development of the Russian market economy inevitably generates “growth diseases”. And the problems in the functioning of such a mechanism as development corporations are one of them.

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Abstract

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