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### Modern Tools for Sustainable Development of Territories. Special Topic: Project Management in the Regions of Russia

#### TOOLS OF THE TERRITORY COMPETITIVE ADVANTAGES REALIZATION IN THE DEPRESSED REGION

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#### *Abstract*

The article considers the potential of structural transformations of the depressed region taking into account the peculiarities of the territory on the example of Tuva in the context of the country's spatial development strategy. It is proved that the choice of the vector of Tuvan territory development depends on large resource potential. But the region needs the coordinating participation of the authorities to create the atmosphere of progressive growth and entrepreneurial initiative. The authors argue the interdependence of underdevelopment of financial markets in the region and the lack of investment, which necessitates the implementation of measures of state support. It is proposed to use the tools of the stock market to solve the problems of structural deformations of the Tuvan economy, creating conditions for increasing investment activity; to develop and put into operation an information system, the main task of which should be effective project management, including a system of operational information provision by development institutions. The article shows the necessity of systematization of the investment process in the region, which provided a certain mix of budgetary-tax and monetary-credit policy measures within the parameters of the region and positioning in inter-regional system of specialization, as well as taking into account the phase cycle of the national economy, the formal measures of legislative regulation of processes of social development and other factors expressing the techno-economic paradigm for sustainable development of the territory.

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**Keywords:** Infrastructure restrictions, investment projects, spatial development.



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## **1. Introduction**

Depressed regions are characterized by low intensity of economic activity with weak diversification of the sectoral structure, extremely low scientific and technical production potential, underdeveloped social sphere, narrow domestic market, high unemployment rate, as well as limited financial resources for sustainable dynamic development of the socio-economic sphere and the ensuing hence the need for government support (Zubarevich, 2016). One of these regions is Tuva. Given the uniqueness of Tuva in terms of its geopolitical and economic-geographical position, which provides potential opportunities for entering the trajectory of dynamic economic growth, Tuva remains the most underdeveloped region of Russia. At the same time, the strategic goals of the state are being realized on the territory of Tuva, including control over the most important reserves of raw materials, the efficiency of their exploitation, and the expansion of the trade and transport space of Russia to the East. The spatial development strategy of the Russian Federation until 2025, focusing on the realization of the competitive advantages of each region of the country, envisages in Tuva both increasing the production potential of traditional specialization branches and developing its infrastructure.

## **2. Problem Statement**

The socio-economic situation of the region can improve by increasing the efficiency of investment projects. Their implementation in the economic sphere of any region is influenced by many objective factors, including the size of the region, the availability of natural and labor resources, features of historical development, forms of entrepreneurial activity, etc. The spatial development of a region is determined based on an analysis of factors not only within the region itself, but both in the country and in the outside world (Zubarevich, 2019). All factors act as long-term determinants of the direction and speed of transformation of the region's economy. In addition, Tuva is characterized by the prevailing national configuration of the institutional elements of its economy, which to a certain extent characterizes the structure of its economy and the degree of orderliness. All this presupposes the search for appropriate tools for realizing the competitive advantages of the territory, capable of ensuring sufficient stability of institutional interaction in the region as a basis for the effectiveness of investment projects and a necessary condition for economic development.

## **3. Research Questions**

The choice of specialization in the economic activity of an underdeveloped region with a number of infrastructural constraints and a minimum of growth opportunities is very limited. For Tuva, the "drivers" of its competitive advantages subject to the development of transport infrastructure are the growth of the extractive industry based on the dynamic involvement of natural resources in the economic turnover, logistics, the creation of enterprises for the processing of raw materials obtained by the mining industry and highly productive agro-industrial clusters. In the Strategy for Spatial Development of Russia (Order of the Government of the Russian Federation, 2019), for each region, based on competitive advantages, promising economic specializations are identified, i.e. growth points. The program documents of the regional executive authorities indicate priorities, goals, tasks, mechanisms and specific

measures to ensure the sustainable growth of Tuva (Order of the Government of the Russian Federation, 2019), in accordance with which it is necessary to study the factors of formation of spatial development trends in Tuva, determine the ways of economic recovery in the context of its strengths and weaknesses, take into account the possibility of using territory development tools.

The strengths of the territory of Tuva, the basis of its competitiveness are its proximity to sales markets in the countries of the Asia-Pacific region (APR), the potential of a large transport and transit capacity, as well as a diversified economic complex and significant natural resource potential. The accelerated development of the Asia-Pacific countries, the realization of Russia's geopolitical interests provide the economy of Tuva with foreseeable new opportunities (Pale, 2018).

The weakness of the territory of Tuva is the low investment attractiveness due to the existing significant infrastructural limitations of its geographical accessibility. The criteria, which make many investment projects deliberately ineffective, are the lack of a railway connection with Tuva, the poor development of air connections and the automobile network. The inadequacy of the transport infrastructure to modern requirements impedes the realization of such competitive advantages of Tuva as a favorable location in relation to Mongolia and China, the geographically closest countries of the Asia-Pacific region; presence of gold deposits, rich mineral resources, proven reserves of polymetallic ores.

#### **4. Purpose of the Study**

The purpose of the study is the selection of tools for the coordinated development of the territory, the development and argumentation of organizational and methodological approaches to the realization of the competitive advantages of the territory as sources of the effectiveness of investment projects in the depressed region and moving to a strategy for sustainable economic growth.

#### **5. Research Methods**

The applied research methods are monitoring the competitive environment of the regions and using the principles of consistency to analyze the problems of sustainable development of the region and the behavior of regional structures as complex socio-economic systems. In the process of working on the article, cluster analysis techniques, reproductive and institutional approaches were used. In the study of instruments for implementing competitive advantages, general scientific methods of theoretical knowledge were also used: empirical research methods (observation, comparison), methods of analysis and synthesis unity, analogy method, logical, statistical and functional methods.

#### **6. Findings**

Due to the low saturation with production factors and the poor development of transport infrastructure, without launching appropriate investment projects aimed at realizing the competitive advantages of the territory the economy of Tuva cannot offer Russian and foreign consumers products that are no less attractive in price and quality in comparison with competitive products in those regions Siberia and the Far East, which are characterized by pronounced specialization, a higher level of

development of processing industry and resource sectors, balanced agricultural and industrial economy, relatively better infrastructure and development of the territory (Report of the HSE, 2018).

The accelerated and balanced implementation of competitive advantages is a socio-economic incentive for Tuva, as it will provide the necessary (but still insufficient conditions) for the development of the economy of the republic, improving the quality of life of the population (Balakina, 2015). Therefore, for the real spatial development of Tuva, ensuring coordination of business and government, specific measures are required to accelerate the promotion of regional and interregional infrastructure projects. To maximize investment attraction as one of these specific measures, according to the strategy of social and economic development of Tuva, it seems appropriate to ensure the creation of a new mechanism for the functioning of the territories, taking into account the competitive advantages of Tuva, the historical and geographical features of both Tuva and its neighboring territories which are part of one Angara-Yenisei macro-region. The project will ensure the development of Tuva subsoil with all consequent economic effects, the uniting of territories and the way out to China.

However, not all the tasks identified in regional projects are provided with the required investments, relevant mechanisms of management and implementation of development policies. The authors share a statistically well-grounded point of view that the current model of federalism often puts neighboring regions in an unequal position, since it does not fully take into account the significant qualitative and quantitative differences of their individual parts in determining measures of state support (Leksin & Shvetcov, 2004). Thus, the territorial and structural differentiation of the economies of regions within Siberia and the Far East is their most obvious, but not always taken into account when developing regional development strategies characteristics. It is obvious that the integration of interregional processes should be accompanied by uniform economic conditions for all entities, the creation of which is the first specific measure of importance (Simachev et al., 2018).

The structure of the economy of Tuva is largely determined by the predominance of resource-mining and agricultural industries, developing in natural regional clusters. One of the guarantees of the social and economic development of Tuva is the increase of the level of clustering its economy, mainly the agro-industrial complex. However, a negative, although inevitable, consequence of clustering in Tuva is also associated with this factor: currently, more than 80 percent of the gross regional product is produced on an area that occupies less than 20 percent of its territory. Therefore, the implementation of strategic goals, priorities and the solution of the spatial development of Tuva require, as a definite measure, a substantial transformation of production in order to expand and strengthen its entire economic space without exception of any territory.

The solution of this problem is not possible without attracting large volumes of investment funds to the region for the implementation of large-scale projects. Even though over the past 10 years the Tuva investment activity has been increasing, this tendency has led to a three-fold increase in investment volumes and participation in eight national projects in 2019 with the allocation of funds from the federal budget, the region does not expand the reproduction of fixed capital. The Republic of Tuva ranks 82nd in the country in terms of investment per person, in terms of investment amount per person it is 4.5 times lower than the average for the Russian Federation.

Since it is possible to overcome low investment activity in a centralized regulatory manner, an important parameter for investors that affect the region's competitiveness is the effectiveness of government support tools, previously proven in a number of territories of priority social and economic development (hereinafter – TPD) in the Far East (Levin & Pavlov, 2018).

In general, the differentiated notion of a set of public services, as specific measures of state support taking into account the local specifics of the economy that Tuva needs at least for the process of simple reproduction, can be identified. Firstly, producers, especially medium and small enterprises, in order to offer potential consumers more attractive products in terms of price and quality, require financial products related to the operational replenishment of their working capital. Secondly, among public services should be not only financial support, but also the provision of a set of preferences for the implementation of large projects. Thirdly, since the underdevelopment of financial markets leads to a shortage of investments in the region, the specific measures of state policy as a regulator of the development of the regional economy include the further development of its financial infrastructure, the creation of regional financial consortia and the comprehensive promotion of the corporation, subsidizing savings and loans.

In the future, one can talk about creating in Tuva a new mechanism for the development of investment sites with a special regime for doing business and a new procedure for implementing priority investment projects, as well as a policy of special tax regimes provided to product manufacturers in accordance with promising economic specializations, which was introduced for TPD (Levin & Pavlov, 2018).

It is indisputable that the spread of all effective tools for economic development in Tuva, which in recent years as concrete measures of state support worked mainly in the Far East and some Siberian regions, would affect the investment climate. However, the presence of a favorable investment climate only cannot guarantee a balanced and sustainable economic growth, ensuring the realization of human potential, reducing the differences within the region in the level and quality of life of the population.

The reasons for the simultaneous combination of the action of various factors in the formation of spatial development trends in Tuva are as follows:

First, with the growth of industries that determine competitive advantages, the wages of employed in them also increase. Consequently, the established gap in qualifications and wages can lead to a gradual flow of labor into competitive rapidly developing sectors from a limited in the socio-economic development agriculture as an industry where the supply of factors of production is limited for natural reasons. It is understandable that the preference of the population will be given to areas of activity with higher wages, such as, for example, transport logistics, construction, development of new deposits, etc., in which, according to available estimates, about 10 thousand new jobs will be created in the territory of Tuva (Dabiev & Lebedev, 2016).

According to the authors, taking into account the future needs of transport logistics, road facilities and services, the number of new workers may double compared to the above-mentioned, which is equivalent to about a third of the number of people employed in agriculture in Tuva today. Therefore, among the main barriers to spatial development, depopulation of rural residents, whose share in the total population of the republic today is almost a half, may turn out to be significant. Despite the fact that one

of the current features of the republic is the extremely uneven distribution of the population, the prospective concentration of the population near the growth points due to depopulation of the rural territories can cause the diminution of rural settlements, disrupt the efficient functioning of the agricultural sector and provision of the food security of the republic through its own food production. With the destabilization of the demographic situation in rural areas, causing a decrease in human capital and a shortage of labor resources of the necessary qualifications, it is impossible to efficiently use land and other natural resources, to create economic conditions for expanded reproduction in agriculture (Shvetsov, 2017).

Secondly, the construction of a transport route for access to transit corridors from Europe to the Asia-Pacific countries will undoubtedly realize the competitive advantages of Tuva in transforming it from a transport dead end into an international transport corridor due to the use of its geographical location as a natural “bridge” between Europe and the Asia-Pacific countries. With the launch of projects to enter international transport corridors, the expansion of transport and logistics flows and the development of new deposits, an increase in revenues in the budget of Tuva is projected to be about 3 times in the future 5-7 years up to 30 billion rubles (Sevek, Sagaanool, & Oorzhak, 2017).

At the same time, a part of the Tuvan territory located mainly outside the major population area and not included in the growth points will continue to remain a territory with low transport and communication development and a low level of development of energy infrastructure, and therefore will continue to be characterized by investment unattractiveness. In combination with the insufficient level of development of entrepreneurship, labor resources, production factors located there will continue to decline steadily. This primarily concerns the agricultural sector of the republic in terms of deepening its crisis state.

Thirdly, the territorial unevenness of expected growth within Tuva and the prospects for a shift in the structure of employment can lead to a gradual spatial polarization of development, which will lead to increased inefficient budget expenditures to maintain the social infrastructure of territories that are becoming economically semi-desert, lacking competitive advantages and are not attractive to investors.

## **7. Conclusion**

By themselves, the necessary regulatory measures to implement perspective economic specializations – growth points for the underdeveloped region are not yet a determining factor in investment attractiveness. To increase the efficiency of the investment process, Tuva needs it in a systematic nature. The systematic nature of the investment process is ensured by a certain combination of budgetary-tax and monetary-credit policy measures, taking into account its parameters and positioning in the interregional specialization system, as well as taking into account the phase of the national economy cycle, formal measures of legislative regulation of social development processes and other factors expressing the technical and economic development paradigm (Asaul, Balakina, & Soyán, 2013).

Consequently, the systemic process of creating an attractive environment for the investor requires greater involvement of government structures, including indirect methods that complement the previously mentioned specific measures. Indirect methods actualize the function of the state as a coordinator acting along with regional development institutions.

Presently, special development institutions exist both in foreign countries and in the regions of Russia, in particular in Siberia and the Far East (for example, the Far East and Siberia Development Institutions operate in Russia, including the Far Eastern Investment Promotion Agency (ANO IPA), the Investment Promotion and Protection Agency of the Republic of Tuva). Their activities are aimed at improving the investment climate in a particular region, they also act as institutions of innovative development, solve the problems of coordination of socio-economic growth that exist in the development of any region. Tuva, as the most underdeveloped region in the country, is especially in need of government delegation to development institutions of some of the functions for coordinating the management of regional investment and social projects. Therefore, to increase the level of development projects management in Tuva, it seems necessary to develop and implement an information subsystem, the main task of which should be effective project management, including a system for the rapid provision of information to development institutions.

In general, the conceptual vision of the role of the state in the context of the formation of new instruments for the realization of competitive advantages supplements the hierarchy of structures for coordinated development of territories: the highest level is the Government of the Russian Federation, which defines the tasks, principles, priorities and main directions of spatial development of Russia, perspective growth centers and specializations of the subjects of the Federation; further - the macro-regional institutional level with the institutions that coordinate investment development in the macro-region and financial instruments; regional institutional level (stock development tools that can accumulate and redistribute investment resources in the regional economic system); at the regional administrative level - the relevant administrative services of Tuva as a subject of the Federation and at the regional public level - the creation of the most dynamic environment in the form of public institutions coordinating the historical and ethnographic features of the territory and the socio-economic development of the region.

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