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Regional investment policy as a part of sustainable development: The best practices in Russia

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ABSTRACT

Purpose. The main goal of the research is to analyze the role of regional investment policy in the sustainable development of Russia as a whole and Russia's regions through theoretical and practical approaches. Firstly, the theoretical framework is considered and the authors' point of view is presented. The survey analyses the core results of regional investment policy for regions' economic development. The authors determine that regional economies' development level is an important basis for business development.
Design/methodology/approach. Statistics describing investment behaviour and some other economic indicators in the regional approach were analyzed. All regions were classified according to investment growth criteria. Correlations with key socio-economic indicators were made for the most and least developed regions. Regions were classified according to several criteria.
Findings. Based on the literature review, the authors provided a definition of regional investment policy. The authors found a big difference in the outcomes of regional investment policy in Russian regions. Investment does not have a strong correlation with other economic indicators of regional development. The authors provided indicators for regions' classification.
Originality/value. The research systemizes different points of view on regional investment policy and sustainable development issues. The article has an original approach to the classification of impact factors for regional investment policy efficiency. It may be interesting for regional authorities, foreign governments and potential investors.

Paper type: research paper
Keywords: regions; investment; sustainable development; regional investment policy; gross regional product; impact factors.

INTRODUCTION

When we talk about countries' development (especially federal states), regions should be specially analyzed, because they play a core role in this process. Russia consists of 85 regions which sometimes have to compete with each other for investment, investors and other kinds of resources. Regional authorities have certain tools to implement investment policy, but there is a big problem regarding how to select truly functional ones. This is why it is so important to systemize factors which affect investment policy efficiency.

The federal structure of Russia places great value on regional policy in different spheres. Regional policy can be defined as a policy of federal authorities which regulates regional development and possibilities for autonomous regional policy. This aspect of regional policy is absolutely essential, because it provides equal and fair conditions for regional development. Such policy may be called federal regional policy.

The second aspect of regional policy is autonomous policy of regions carried out by regional authorities. The basic principles of effective interaction between these two types of regional policy are subordination and relative autonomy. The principle of subordination means that regional policy on a regional level cannot contradict federal regional policy. Neither legal acts nor managerial decisions can do this. The principle of relative autonomy means that within common rules and priorities each region should pay attention to its special features. The vast territory of Russia explains the big difference between its regions. Specific factors explaining this difference include geography, international affairs, economic and social development level, etc.

Regional investment policy has close links with business, as such policy provides more or less attractive terms for private investment, including foreign investment. This is why regional authorities should have a clear understanding of current investment policy, its strengths and weaknesses, for future improvements.

THEORETICAL FRAMEWORK

The problem of economic development is a core matter for states and their territories. Historically economists have always paid great attention to this problem's study. The problem of sustainable development is rather new (especially for Russia), but nowadays it plays a central role in the economic policy of different states. Since the very beginning sustainable development has been closely related to environmental protection, but now it covers almost all spheres, including economics. Modern economic policy combines these two elements into sustainable economic development. This is the only kind of truly effective development in the global world.

Economic development requires resources, and the leading role among resources belongs to finance. This is why investment is of great importance.

State policy implementation in the sphere of stimulation and promotion of investment and innovation activities is aimed at achieving the goals of sustainable development and economic entities' increased competitiveness in foreign markets.

The fundamentals of state regulation of investment activity were reflected on by the classical economists Adam Smith, John M. Keynes, Paul Samuelson, John K. Galbraith, Milton Friedman, and others.

Adam Smith considered economic growth (national wealth growth) to be a result of the impact of increased income and capital accumulation, where savings are the source of the latter (Smith, 2007). Investment is associated with savings, i.e. with the part of income that is not used for current consumption.

According to John M. Keynes, the state should carry out an active investment policy and spur the investment process (Keynes, 1937). However, in general it is necessary to note the protectionist character of the theory, i.e. protection from foreign investment.

Paul Samuelson highlights the special importance of the state's role in the economic process (Samuelson, 2001). Milton Friedman defines the main instruments influencing the economy: the exchange rate, loan interest, tax rates and customs tariffs (Friedman, 1991). Friedrich von Hayek argued for the need to regulate state investment activity (Hayek, 2005). John K. Galbraith considered state intervention at the level of investment spending, fiscal regulation (Galbraith, 2007).

In addition to the Keynesian, monetarist and institutional theory of managing investment processes, we can distinguish a neoclassical theory that examines the behaviour of individual investors (Sharp, 1999, Khokhlov, 1993).

Modern Russian studies of investment as a driver of socio-economic development belong to such academicians as Leonid Abalkin (Abalkin, 2006), Dmitri Lvov (Lvov, 2001), Sergei Glazyev (Glazyev, 2010) and others who pointed to the need to take into account specific features of the Russian economy.

A. Aganbegyan writes that "investment is the main engine of the country's social and economic development at the expense of its own resources" (Aganbegyan, 2008).

International institutions make a significant contribution to investment research. For 40 years the OECD has adopted a number of important documents in this field, the latest of which is the OECD Framework for Investment (PFI, 2015).

The PFI has become a logical addition to the provisions of such conceptual tools as the UN Millennium Development Goals (Sustainable Development Goals, UNO, 2015), the Johannesburg Declaration on Sustainable Development (WSSD 2002), and Towards Green Growth (OECD, 2011).

The UNCTAD's policy framework for sustainable development (2015) serves as a guide to forming and developing an initiative to facilitate investment for sustainable development in priority sectors. The document constitutes a "new generation" of investment policy; it includes principles of investment policy, characteristics of national investment policy, a framework for international investment agreements, and investment promotion instruments. One global strategic objective is to promote investment in sustainable development.

The PFI managed to collect best practices in the investment activities of 21 countries, including Russia, and divide them into 12 areas: investment policy, investment promotion and simplification, trade policy, competition policy, tax policy, corporate governance, responsible business policy, development of human resources, financial provision of investments, public administration, and investment in the green economy.

Positive Russian experience was noted in the field of financial intermediation support through the development of national guarantees for small and medium-sized businesses (SMEs), the introduction of tax breaks for SMEs, the expansion of SME support, the expansion of regional rights to reduce tax rates for SMEs, and the relief of antimonopoly regulation for SMEs. As an investment promotion tool, the creation of a special "Deposit Insurance Agency" in May 2014 and the credit facilities (through the network of credit organizations, joint risk-neutralization) of SMEs by Vnesheconombank should be mentioned.

The structural investment policy goal is to maintain sustainable economic growth and sustainable development while increasing economic and social well-being through private investment mobilization. The solution to the problem of raising private investment is in investment climate improvement.

In the course of making decisions on investment in a country and its regions, potential investors can use the analytics of rating agencies, authoritative universities and relevant publications.

In the state-run programme of the Russian Federation, Economic Development and the Innovation Economy, Russia's position in the World Bank's Doing Business ranking is indicated as a targeted indicator, and the expected outcome is the change in the position of the Russian Federation in the ranking from 120th place in 2012 to 20th place by 2018.

In 2017, in the assessment of the comfort of doing business, Russia simultaneously rose and fell to 40th place, which was due to a change in the calculation methodology. Thus, in 2016, according to the old method, Russia would be 51st, while the new method puts it in 36th. The position in the ranking is now affected not only by the final score for the 10 indicators, but also by how actively the country carries out reforms. Lack of reforms prevented Russia from moving up in the ranking. In 2016, 137 countries conducted 283 regulatory reforms – 20% more than in 2015. In Russia, researchers found one positive reform – simplification of the procedure to obtain a building permit.

Nevertheless, for key indicators such as international trade level (140) and the ease of construction permit issue (115th place, 19 procedures, 244 days), Russia is outside the first hundred; the most successful criteria are property rights registration (9), connecting to the power supply system (30) and registration of business (26). It is important to mention that this authoritative ranking's research is conducted only in two Russian cities: Moscow and St. Petersburg (since 2015) (Table 1).

Table 1

Doing Business ranking for Russia 2012-2017

	2013	2014	2015	2016 previous methodology	2016 updated methodology	2017
Enforcement of contract performance	11	10	14	5	8	12
Property registration	46	17	12	8	8	9
Connecting to the power supply system	184	117	143	29	26	30
Business registration	101	88	34	41	37	26
Crediting	104	109	61	42	42	44
Taxation	64	56	49	47	40	45
Business liquidation	53	55	65	51	-	51
Protection of investors	117	115	100	66	51	53
Dealing with construction permits	178	178	156	119	117	115
International trade	162	157	155	170	138	140

(Source: collected by the authors based on www.worldbank.org)

The Doing Business ranking is very popular, but there are many other types of ratings. The dynamics of Russia's positions in international ratings is shown in Fig. 1.

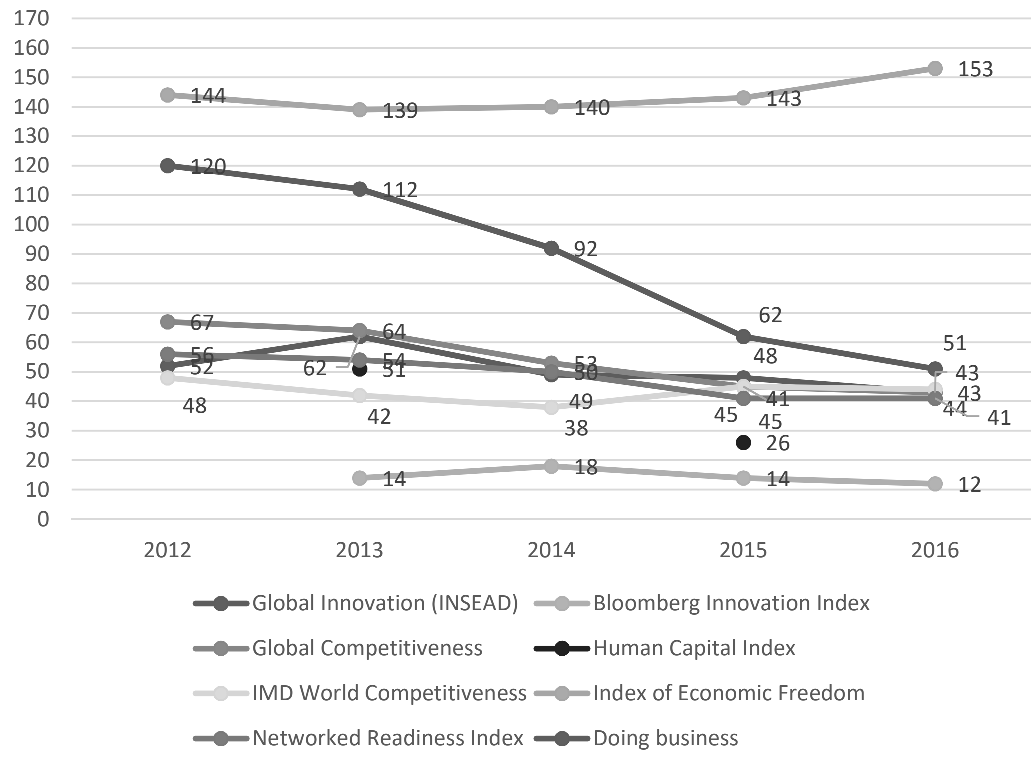

Figure 1. Dynamics of Russia's positions in international ratings from 2012-2016.

In 2016, Russia improved its position in comparison with 2015 in Global Innovation (+5), the Bloomberg Innovation Index (+2), Global Competitiveness (+2), and IMD World Competitiveness (+1). The positions were significantly improved (+25) in 2015 compared to 2013 in terms of the Human Capital Index, the WEF and the OECD. Russia's progress in the Networked Readiness Index is constrained by weak protection of intellectual property and an unregulated regulatory and legal framework (+0).

In 2015, S&P and Moody's downgraded Russia's rating to the speculative level (BB+, Ba1), which was affected by the political conflict in Crimea, sanctions and counter-sanction measures, falling oil prices and devaluation of the rouble; Russia's investment grade rating was retained by Fitch (downgrading from BBB to BBB-). The outlook for the ratings was improved from "negative" to "stable" in September 2016 (Fitch, Moody's, S&P).

In these world ratings, Russia occupies very different positions (12 for innovativeness and 153 for economic freedom). The world's largest country has various conditions for investing and introducing innovations depending on the specific region (85 within the Russian Federation).

Regions play a leading role in the socio-economic vector of Russia's strategic development. The role of regions in scaling up investment activity has significantly increased. This is due to greater attention paid by federal and regional authorities to the process of regional investment policy formation and the introduction of new investment mechanisms, tools and forms of investment activity acceleration. The territorial, infrastructural, production, social, ecological and other particularities of a territory can be taken into account at the regional level.

In examining approaches to the definition of "regional policy", one should note the lack of clear boundaries for the term.

According to V.Leksin and A.Shvetsov, regional policy is a complex system of intentions and values that pursue national interests in relation to regional development and interests of the regions themselves (Leksin, Shvetsov, 1993, pp. 51-52). Thus, state and regional interests are interconnected and interdependent in their implementation.

Regional policy, according to B. Shtulberg and V.Vvedensky, is the activity of state bodies and local self-government in order to ensure optimal development of regions and solve interregional matters. Regional investment policy components include the state and regions as subjects, spheres of interest and spheres of influence of the subjects, and regulation methods. (Shtulberg, 2000, p. 17).

Regional policy, according to A.Bakitzhanov and S.Filin, is the authorities' system of goals and objectives to manage political, economic and social development of regions as well as the mechanism for their implementation (Bakitzhanov, Filin, 2001, p. 15). This approach is shared by V. Kotilko (Kotilko, 2001, p. 9).

Such an interpretation was reflected in the "Basic Provisions of Regional Policy in the Russian Federation" (Presidential Decree No. 803 of June 3, 1996).

In the "Fundamentals of the state policy of regional development of the Russian Federation for the period until 2025" (Presidential Decree of January 16, 2017 N 13), the state policy of regional development is viewed as a system of priorities, goals, tasks, measures and actions of the federal public authorities on political and social issues – economic development of the subjects of the Russian Federation and municipalities.

The state policy objective of regional development is to ensure the following: equal opportunities for the implementation of the economic, political and social rights of citizens throughout the country; quality of life; sustainable economic growth; regions' science and technology development; and the competitiveness of the Russian economy on world markets, as established by the Constitution and federal laws. Achieving these goals is possible through balanced and sustainable socio-economic development of the Federation, subjects and municipalities, with the active participation of the population in solving problems and local objectives. (Presidential Decree of 16.01.2017 N 13).

Some of the priority tasks for achieving these goals are as follows: to provide infrastructure for the spatial development of the country's economy and the social sector, raise private investment in the non-public sector of the economy at the regional and local levels, improve incentives for Russian Federation subjects and municipalities to build their own economic potential, and sharing powers between authorities levels.

The state investment policy is a set of targeted measures taken by the state to provide favourable conditions for all economic entities with the aim to enhance investment activity, develop the economy, increase production efficiency and solve social problems. (Khasanov, 2008).

The state influences investment activity through the financial-credit budget and tax mechanisms, widely using the tools of tax incentives and preferences for investment-active subjects, depreciation policy, etc.

Investment policy structure includes state investment policy, regional investment policy, sectoral investment policy, company investment policy and some other types of policy (e.g., Ogorodnikov, 2014).

State intervention should meet effective social reproduction interests. In this case there is a harmonious development of both the manufacturing sector and the credit and finance sector, achieving the goals of socio-economic and environmental development that meet the promising requirements of technological progress.

The task of state investment policy is to form "rules of the game" in the investment sphere, to offer a set of mechanisms and tools that can be used in investment activity at the regional level.

Regional investment policy intensification is a basic precondition for sustainable economic development.

When analyzing investment processes in terms of a territory, it is necessary to take into account that a single economic space is the most important attribute of a specific state (Nikolaev, 2009, p. 16).

Regional investment policy can be presented as an integrated system of goals and organizational, economic and regulatory measures that are aimed at enhancing investment activities in the region. (Kacherov, 1997).

A practical scientific contribution to modern regional investment policy development was made by such researchers as A.Alekseeva (2009, 2010), O.Alekseeva (2008), A.Amosov (2007), J.Berger (2004), E.Bernshtam (2002), A.Vaniev (2004), F.Glisin (2009), A.Ezhikov (2007), M.Elizavetin (2004), V.Karavayev (1995), E.Koveshnikova (2006), O.Kuznetsova (2003), V.Leksin and A.Shvotsov (1993), S.Naryshkin (2010), A.Nekipelov (2008), L.Nochevkina (1997), A.Polyanin (2011), A.Slavyanov (2008, 2009), A.Yakovlev (2009), A.Yasin (2006) and other researchers. It should be mentioned that these papers mainly consider the study of the investment process.

We shall further consider approaches to the definition of regional investment policy.

The point of regional investment policy is defined as a set of regulatory documents, targets, and mechanisms for their achievement in order to attract and effectively utilize investment resources to accelerate social and economic development (Verteshev, Rohchin 2003).

Regional investment policy is considered to be a set of measures to regulate and stimulate the investment process in order to ensure sustainable development of the territory. (Gritsyuk, 2004).

Regional investment policy is an integral part of the regional policy implemented primarily by federal, sub-federal, regional and municipal authorities and management as well as by other subjects (investors), aimed at mobilizing and effectively using the investment potential of the territory to accelerate and spur investment processes in the region from the standpoint of achieving the tactical and strategic goals of development (self-development) of the region. (Hodus, 2011).

Regional investment policy is considered to be an integral part of regional economic policy, which includes purposeful and scientific-based activity of regional authorities for mobilization and effective development of the investment potential of the territory, accelerating and spurring investment processes in the region and ensuring achievement of strategic goals and objectives for the region's economic growth. (Novokshonova, 2014).

Regional investment policy should, firstly, assume the strategic goals and objectives of regional development; secondly, it should take into account the existing structure of the region's economy; and thirdly, it should set sights on increasing investment attractiveness. (Myakshin, 2014).

Outside Russia, more attention is focused on the cluster approach.

Summing up the approaches, we will draw the conclusion that regional investment policy is understood as a state economic policy sector, which is implemented by establishing an investment structure through sources and directions of use and investment scale to achieve fixed asset renewal.

The authors offer a comprehensive approach to the definition: regional investment policy is a set of goals, objectives and activities that are aimed at creating a favourable investment climate in the region, attracting external investment resources, increasing domestic investment activity, and providing effective mechanisms for using investment sources in order to achieve a region’s strategic development priorities.

Figure 2 presents methods and tools for regulating investment activities in regions according to the type of regulatory tool.

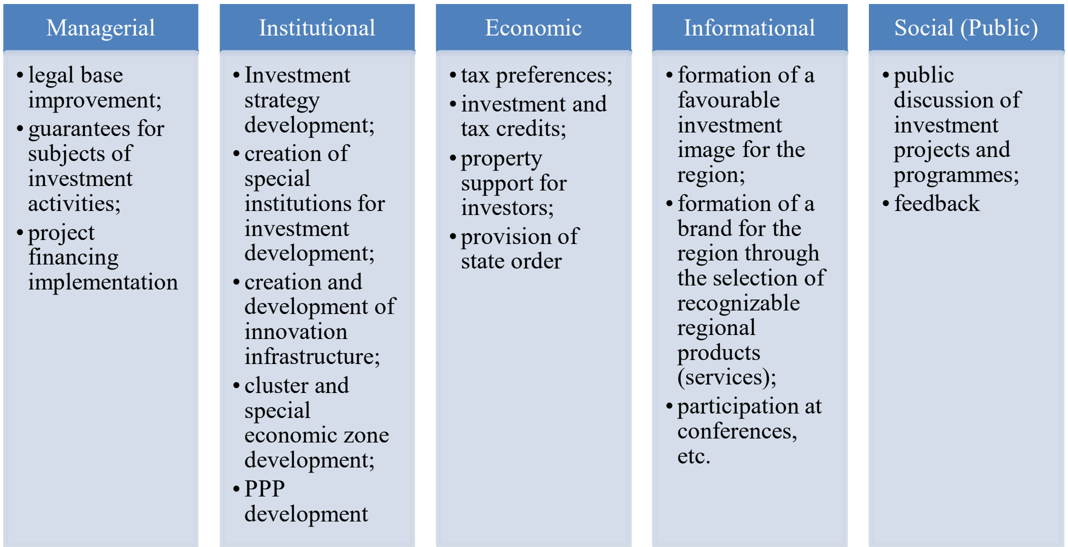

Figure 2. Regional investment activities, regulating methods and tools

To achieve definite goals, methods and tools are chosen depending on the investment strategy, taking into account the particularities of a specific region and the nature of socio-economic priorities.

A region's investment attractiveness is assessed by means of a system of indicators: economic, financial, social, environmental, state and social development as well as legislative and political conditions (Pribytkova, 2005). V.Alekseeva includes the presence of natural-geographical, production-financial, social, political and environmental safety among the factors of investment attractiveness (Alekseeva, 2004).

Overall, an investment climate is characterized as a combination of economic, political, and financial conditions that affect the flow of domestic and foreign investment into a country's economy (Pishchulin, 2012).

In real economic practice, there are conditions and priority industries that benefit the development and effective use of investment activity factors and constrain them.

The conditions that determine a region's investment activity development can be divided into several groups: economic and institutional, consumer potential, infrastructure, social and socio-political.

The most important factors are presented in Table 2.

Table 2

Investment activity factors

The region's economic and geographical characteristics	population, its density, the size of the territory, proximity to large geographical markets for sales, etc
Financial resources	private and public investment in fixed assets
Labour resources and their level of use	professional and age structure of the labour force, labour productivity level, etc.
Capital resources and their level of use	amount of fixed capital, its structure, physical depreciation, capital productivity, etc.

Natural resources	cultivated areas, variety and density of mineral reserves, etc.
Innovative resources and their level of use	number of organizations performing R&D; number of HR involved in R&D; internal costs of R&D; advanced technologies created and used, etc.
Information resources	data on the capacity of certain segments of the capital market, goods, availability and quality of other types of resources, investment attractiveness of certain spheres and types of economic activity in the region, etc.

(Source: based on EY Global Investment Monitor)

Factors affecting regions' investment attractiveness can be divided into several groups, depending on the methodology used.

Harvard Business School considers the following factors: the legislative framework for domestic and foreign investment, the national currency rate, the inflation rate, capital export possibilities, and the political situation.

The magazine Euromoney assesses a region's creditworthiness, lending conditions, economic efficiency, availability of long-term and short-term financing, and political risk. Moody's Investors Service assesses the budget and local financial situation, taking into account economic, financial, tax and other risks.

The Economic Department of the Bank of Austria estimates capital investment risks in the Russian Federation's regions, adjusted to the economic, social and political situation.

In 1996 the Russian rating agency Expert developed a widely used methodology with the purpose of assessing regions' investment attractiveness. At present, the methodology consists of 9 assessment categories: natural resources, industry, consumers, infrastructure, innovation, finances, tourism, and 6 risk groups (economic, social, financial, managerial, environmental, criminal).

The most authoritative rating assessing the investment attractiveness of Russian regions is the National Rating of the Investment Climate in the Regions of the Russian Federation (ASI). The rating assesses the following factors: regulatory (administrative) environment, business institutions, and small and medium-sized business support.

The investment attractiveness rating of the National Rating Agency (NRA) is focused on assessing such factors as availability of natural resources in the region, ecology, labour resources, volume of the internal regional market, production potential and financial stability of the region's economy, regional infrastructure, business institutions and the socio-political situation.

In 2013 the auditing and consulting company KPMG and the Russian Union of Industrialists and Entrepreneurs proposed a methodology for assessing the investment attractiveness of regions from the perspective of a foreign investor. The factors affecting an investor's decision were conditionally divided into the categories "soft" and "hard". An investor who is not aiming at the resource base would prioritize "soft" factors, while one aiming at the resource base would pick "hard" ones. On the other hand, regional authorities, by managing "soft" factors, can influence "hard" factors, thereby expanding the range of investors. An investor's choice of region is largely determined by the quality of the regional investment environment (Table 3).

Table 3

Investors' decisions: impact factors

Hard factors		Soft factors	
Unchangeable	Difficult to change, resource-intensive	Changeable in the medium term	Changeable in the short term
Geographical location	Transport infrastructure	Legal base	Tax support
Natural resources	Human resources	Institutional environment	Financial support
	Economic specialization		Interaction between business and authorities
	Domestic market volume		Interaction between investors and authorities
	Human capital		

RESEARCH METHODOLOGY

Russia has a rather complex political structure. The Russian Federation's regions are united into federal districts according to the geographical principle. Russia now consists of 9 federal districts, but the newest district (the Crimean federal district) was not taken into account, because the information on its economic development is incomparable to other Russian regions.

The research was conducted in the following stages: investment dynamics analysis of federal districts, leading and lagging ones; regions were divided into three groups – leaders, those lagging behind, and those of average standing – and one federal district was chosen from each for deeper analysis; a correlation analysis was carried out, making it possible to reveal the relationship between the dynamics of investment and household income.

The research methods used were the grouping method and correlations.

The authors posed two research questions: what is the level of investment in different regions in Russia? What is the correlation between investment and other important economic indicators?

OUTCOMES

Firstly, the investment index within federal districts was analyzed in terms of dynamics. On the one hand, economic development levels differ considerably among federal districts. On the other hand, economic development levels of regions within one federal district differ considerably too.

From 2005-2015 Russia faced two serious crises (2008 and 2012). The statistics presented in Table 4 provide a picture of the investment index in terms of dynamics.

Table 4

Investment index in Russia (in % to previous year)

	Federal Districts	2005	2012	2013	2014	2015
1	Russian Federation (total)	110.2	106.8	100.8	98.5	91.6
2	The Central	108.4	112.9	105.2	102.8	96.7
3	The Northwestern	115.3	104.0	90.6	95.7	90.9
4	The Southern	107.9	107.4	114.6	88.3	82.1
5	The North – Caucasian	134.3	112.2	107.8	104.2	93.3
6	The Volga	114.7	109.5	106.9	100.1	92.5
7	The Ural	94.7	106.4	101.4	103.2	95.7
8	The Siberian	118.6	111.8	94.1	99.2	83.3
9	The Far Eastern	107.4	88.1	83.2	93.4	96.6

(Source: Created by the authors, based on [www.gks.ru])

Based on the data in Table 1, we can conclude that by 2012, federal districts were basically able to recover from the 2008 crisis and had investment growth comparable to the pre-crisis period. In 2012, a decline in the investment index began, continuing throughout 2013-2014. By 2015, the decline in the investment index largely ended, but federal districts could not reach the pre-crisis level.

The regions with the highest index of physical volume of investment are the Central, North Caucasian, Volga, and Far Eastern, and the federal districts with the lowest index of physical volume of investment are the Northwestern, Southern, and Siberian.

For a more detailed analysis, the Central, Northwestern and Siberian Federal Districts were selected (Table 5).

Table 5

Investment index dynamics in federal districts

	2005	2010	2011	2012	2013	2014	2015
The Central federal district	**108.4**	**104.4**	**107.2**	**112.9**	**105.2**	**102.8**	**96.7**
Belgorod region	134.0	122.3	118.4	101.4	89.7	90.7	113.7
Vladimir region	124.4	92.6	111.5	93.5	98.2	110.4	100.1
Voronezh region	113.1	125.3	112.3	112.6	113.7	106.7	100.3
Lipetsk region	100.6	116.5	102.8	78.0	103.5	100.7	100.7
Moscow region	98.5	98.9	104.5	107.0	105.9	104.1	91.6
Oryol region	110.9	101.9	140.5	110.1	101.2	104.9	98.5
Smolensk region	110.7	129.0	100.1	86.9	95.0	100.5	98.2
Tambov region	119.9	109.9	119.1	116.7	113.6	108.0	100.1
Tula region	131.9	112.8	103.3	100.7	100.7	100.4	100.1
Moscow	110.3	95.8	106.6	133.1	107.1	104.4	101.6

The Northwestern federal district	**115.3**	**115.5**	**110.0**	**104.0**	**90.6**	**95.7**	**90.9**
Republic of Karelia	100.6	117.5	125.3	106.5	93.5	92.9	90.6
Arkhangelsk region	124.9	126.4	122.0	110.5	90.2	96.3	92.5
Vologda region	131.5	116.1	149.4	120.7	49.3	99.0	90.4
Leningrad region	102.4	142.5	103.9	101.0	74.8	66.1	104.6
Murmansk region	120.8	86.2	138.5	121.3	92.8	121.0	102.5
Novgorod region	147.3	99.8	87.0	109.6	109.8	109.0	104.7
Pskov region	83.4	102.6	127.4	128.4	84.5	96.9	80.3
Saint Petersburg	107.1	113.9	87.1	92.6	127.4	106.0	89.0
The Siberian federal district	**118.6**	**113.5**	**116.2**	**111.8**	**94.1**	**99.2**	**83.3**
Republic of Altay	120.7	120.0	144.5	66.5	114.5	118.1	75.0
Republic of Tuva	122.6	135.9	103.5	133.2	112.0	124.4	66.8
Republic of Khakassia	146.6	145.8	136.2	100.6	79.2	123.1	68.7
Altay territory	120.0	115.3	114.5	112.1	105.2	101.1	83.2
Kemerovo region	124.1	137.4	124.6	115.5	78.3	102.5	61.9
Novosibirsk region	115.8	107.8	112.5	105.3	108.1	102.0	72.3

(Source: based on www.gks.ru)

The analysis provides the possibility to classify the regions as leaders, regions with an average level, and regions with a low level of investment growth (Table 6).

Table 6

Classification of regions according to investment index

Name of the group	Regions / members
Leaders (investment index is higher than average in Russia)	Novgorod region, Murmansk region, Leningrad region, Arkhangelsk region, Moscow, Tula region, Tambov region, Smolensk region, Oryol region, Lipetsk region, Voronezh region, Vladimir region, Belgorod region (13)
Regions with an average level (investment index is close to average in Russia)	Saint Petersburg, Vologda region, Republic of Karelia, Moscow region (4)
Regions with a low level (investment index is lower than average in Russia)	Republic of Altay, Republic of Tuva, Republic of Khakassia, Altay territory, Novosibirsk region, Pskov region (6)

(Source: created by the authors)

The classification performed shows that many of the regions under analysis are in the first group, and they are leaders in investment. But it should be mentioned that only 10 regions out of 13 in the group really show investment growth; the others just have less of a decrease than average in Russia.

Optimal regional investment policy should have a complex positive impact on regional economic and social development. This impact can be proved by different indicators, such as gross regional product, personal income, unemployment, gross profit (losses) of companies, etc. In this research the authors studied only 2 economic indicators: gross regional product and personal income. Gross regional product shows the general conditions of economic development in the region, and investment is the basis for development. Personal income is one of the most important economic and social indicators, with great significance in a socially oriented state. So, according to the authors' opinion, these indicators should be strongly linked with investment dynamics. (Table 7).

Table 7

Correlation between investment and major economic indicators

Correlation between investment and real personal income	**Correlation between investment and gross regional product**			
	Lacking	**Low (<0.4)**	**Average (0.41-0.8)**	**High(>0.80)**
Lacking	Vladimir region	Moscow	Lipetsk region	-
Low (<0.4)	Voronezh region Moscow region Republic of Khakassia (3)	Republic of Karelia Murmansk region (2)	Smolensk region Novgorod region Republic of Altay Republic of Tuva (4)	Oryol region Vologda region (2)
Average (0.41-0.8)	Saint Petersburg (1)	Arkhangelsk region Pskov region Altay territory (3)	Tambov region Tula region Leningrad region Kemerovo region (4)	Belgorod region Novosibirsk region (2)
High (>0.80)	-	-	-	-

(Source: created by the authors)

The correlation analysis shows that regions in Russia have very different outcomes for their investment policy. The correlation between investment and GRP in most regions is average or high, but the correlation between investment and real income is very low. Only four regions are in the group characterized by average levels of correlation between investment and GRP and personal income. Such policy can be called optimal. As for other regions, there are some problems in this regard.

Regional authorities should pay more attention to the tools and theoretical approach to the process of regional investment policy implementation.

CONCLUSIONS

Investment and regional investment activity, especially in federal states, should have a determining influence on the level of a region's development. However, the study showed that at present there is no strict correlation between investment activity and the dynamics of the key macroeconomic indicators, which include personal income and GRP.

Thus, Russian regions should pay attention to the algorithm of regional investment policy formation, which should be based on the principle of consistency. It is also important to use modern investment policy tools, and it is obligatory in view of the outcomes obtained. If such outcomes are not obtained, the tools used should be reviewed.

To sum up, it may be said that this research raises many questions for further studies. For example, what are the most effective tools for regional investment policy that would ensure strong correlation between investment and other important indicators of regional development.

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