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State Investment Policy and Priorities of Macroeconomic Structure of Regional Economy Transformation

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Abstract:

The article is dedicated to the urgent problem of the state investment policy formation directed at transforming macrostructure of the regional economy. The aim of such transformation is to form long-term competitiveness of the regional economy, taking into account global changes in domestic and world economy.

The object of research is the regional economy of Rostov Region. The article provides the macroeconomic dynamic and comparative analysis of the regional economy; it defines the place of Rostov Region in the economic potential of Russia and Southern macro region.

The aspects of goal-setting formation in the investment development of the region are studied. The given article presents detailed analyses of methodological approaches of the prioritization of state investment policy aimed at transforming the macro-structure of the regional economy, including the use of multipliers, production functions, priorities based on the forecast and strategy of Russia's long-term scientific and technological development and the scientific and technological initiative.

As a result of the carried out research, the authors systematized approaches to form priorities of the macrostructure transformation of the regional economy in the process of implementation of the state investment policy and identified main tasks for making decisions in this area.

Keywords: *Region (subject of Russian Federation), state regulation, investment policy, macrostructure of the regional economy, priorities of socio-economic and investment development, multipliers and multiplier effect, production functions, forecast, strategy of scientific and technological development, scientific and technological initiative, critical technologies, technological platforms , new markets, statistical research.*

JEL Classification Codes: *R11, R15, R53, R58.*

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1. Introduction

Parameters of long-term social and economic development of the region are directly connected with the investment market development and the strategy of its participants. Investment sources and its directions is a complicated and vast sphere. Overall importance and urgency of the state investment policy is determined by its influence on almost all aspects of social and economic life, including the speed and quality of economic growth, economy structure, the development of consumer and labor markets, social infrastructure quality, etc. From the point of regional economy theory, importance of this aspect is determined by questions of reproductive mechanism of the socio-economic system, problems of the formation and management of investment resources, the rationale for the priorities of the investment development of the regional economy (Stroeva *et al.,* 2015; Kovalenko *et al.,* 2016; Vasin *et al.,* 2017).

In this article, the issues of investment policy formation in its interrelation with the targets on the desired state and changes in the macrostructure of the economy are considered on the example of Rostov Region. To achieve this aim, the following tips are consistently disclosed: 1) fixing and describing of the current state of the regional socio-economic system; 2) determination of the desired (target) state of the macrostructure of the regional economy; 3) approaches to designing the mechanism of transformation of the current macrostructure of the regional economy into the desired state.

2. Theoretical, Informational and Empirical, and Methodological Grounds of the Research

Theoretical and methodological basis of this research is the theory of regional economy, state regulation and management of socio-economic development of the region directed at the solution of applied task of strategic planning, justification of priority choice for social and economic development, namely the priorities for transforming the macro-structure of the regional economy within the framework of the investment policy.

Dynamic and comparative analysis became main research methods, besides the method of groupings in the study of state and dynamics of the development of the regional economy, the analysis of regulatory and legal regulation of socio-economic development, including strategic development, forecasting systems, institutional analysis and analysis of long-term development documents of Russia and Rostov region, economic and mathematical modeling in substantiating the state investment policy (Thalassinos *et al.,* 2010; 2012; 2013; Tyaglov *et al.,* 2017; Sibirskaya *et al.,* 2016; Rena-Miguel *et al.,* 2017; Kormishkin *et al.,* 2016; Shekhovtsov *et al.,* 2017; Akhmetshina *et al.,* 2017; Menshchikova and Sayapin, 2016).

Information database was provided by Russian Federal State Statistics Service, including local authorities of Rostov Region, documents determining strategic planning in Russia and Rostov Region, scientific articles on the problems of socio-economic development, investment policy, etc.

3. Results

Economics of Rostov region is included in the TOP-15 of the largest regional economics of Russia (1135 billion rubles - 1.7% of the RF GDP by the end of 2015 (Russian Regions. Socio-economic indicators, 2016: Statistic Information) and takes the second place after Krasnodar Region among the subjects of Southern Federal District. In nominal terms for 9 years (from 2005 till 2014) it increased by 3.8 times (totally in Russia the growth rate for the same period comprised 3.3 times, in Southern Federal District - 4.2 times) (Table 1).

***Table 1**. GRP growth rate (gross value added in current prices) in 2005-2014, times*

Indicators	2010 to 2005	2014 to 2010	2014 to 2005
GRP, Russian Federation Subjects, total	2,1	1,6	3,3
GRP in South Federal Region	2,5	1,7	4,2
GRP of Rostov Region	2,5	1,5	3,8

***Source.** Calculated by the authors*

As for the employment level, Rostov Region takes up the 62nd place, and in terms of fixed assets in economy, it's the 19th place (GRP per capita based on the results of 2014, Rostov Region takes up the 54th place, investments in fixed assets per capita is 42nd place, taxes and fees in Russian budget system per capita is the 50th place - Russian Regions. Social and economic indicators 2016: stat. info) (Table 2). The region's economy is export-oriented on the results of 2015, the 16th place in Russia (4,804.6 million US dollars, which is 1.4% of the total Russian volume and more than one-third in Southern Federal District) (Strategy for Investment Development of Rostov Region until 2030. Project)

***Table 2**. The share and location of Rostov Region in Russia in terms of the main socio-economic indicators*

Indicators	South Federal Region		Rostov Region	
	density, %	place in RF	density, %	place in RF
1. Territory square	2,5	7	0,6	33

2. Population 1.01.2016	9,6	4	2,9	6
3. Average annual of the employed	9,0	-	2,8	10[1]
4. GRP on the results of 2014	6,6	-	1,7	13[1]
5. Main funds in economics (on the total amount for the end of the year)	6,4	7	1,5	19
6. Volume of shipped goods of domestic production, works performed by own forces by types of economic activity	2,03	7	0,2	36
-mining				
-manufacturing industries	6,37	6	1,83	16
-production and distribution of electricity, gas and water	6,64	6	2,47	8
7. Agricultural goods	15,9	3	4,7	2
- plant growing	20,7	-	6,1	-
- cattle breeding	10,2	-	3,2	-
8. Amount of completed works on the activity «Building»	8,4	-	2,5	-
9. Amount of retail turnover	9,4	5[2]	3,0	16[2]
10. Taxes and fees received by the budget sphere in Russia	4,6	7[3]	1,2	50[3]
11. Investments of the main capital	8,3	5[1]	2,0	12[1]
12. Export	4,0	-	1,4	-
13. Import	4,1	-	1,2	-

Source: *Russian Regions: Socio-economic indicators. 2016: Stat. Info./Rosstat. M.,2016.*

1 - Draft project of Strategy for Investment Development of Rostov Region until 2030, p.10 - http://invest-don.com/en/new_element_408/
2- Retail trade turnover per capita
3- Taxes and fees received in Russian budget system per capita

In the sectoral context, the structure of Rostov Region economy is quite stable and to a greater extent rather than total Russian economy corresponds to the developed world economy. For 9 years from 2005 till 2014 it was slightly transformed. The primary sector accounts for 14% and 13.2%, for the secondary sector 30.4% and 30.2%, for the tertiary sector 55.6% and 56.6% (Table 3).

***Table 3**. The structure of Russian economy and Rostov Region in 2005-2014. Sectoral section, %*

Economics sector	Russia		Rostov Region	
	2005	2014	2005	2014
1. Primary	18,3	15,6	14	13,2
2. Secondary	28	28,1	30,4	30,2
3. Tertiary	53,7	56,3	55,6	56,6

***Source:** Calculated by the authors.*

Decrease in the share of primary and secondary sectors accompanied by the increase in the share of the tertiary sector reflects the worldwide trend of productivity increase in the primary and secondary sectors and increase in the share of service economic activities serving the existing production and social structure that design and create new knowledge and applications.

However, taking into account current crises condition of economy, the reduction in the share of primary sector is not carried out with the growth in its volumes, but in the conditions of its reduction and slowdown in labor productivity (in some years the indicator had negative values) (In 2005-2014 the growth rate of labor productivity in agriculture and mining was not sustainable, from 2012 till 2014 in agriculture it did not exceed 3.0-3.5%, and in the sphere of mining within the same period even had a negative value - Labor and employment in Russia. 2015: Stat. Info.) The crisis characteristic of sectoral changes confirm indirectly that the share of budget-dependent public services is growing in the tertiary sector, namely in the reviewed period the share of services related to state administration, military security and compulsory social services has increased twice. In the conditions the slowdown pace of economic development, all these factors largely reflect the current geopolitical situation, rather than the evolutionary processes characteristic of the highly developed economies of the world. Though, extensive growth potential in the service sector remains relatively high. In the developed economies, it accounts for up to 80% of GDP.

In terms of types of economic activity, it can be seen that in Russian Federation and Rostov Region in 2014 compared to 2005, in the conditions of growth in some service types of activities, there was some reduction in the material sector (excluding building sector). However, almost all "grown-up" service activities are budget-dependent (Table 4).

***Table 4**. Dynamics of Structure of GDP in Russia and GRP of Rostov Region in 2005-2014, %*

GDP and GRP structure	Russia	Rostov Region

	2005	2014	2005	2014
Agriculture, hunting and forestry	5,2	4,8	12,8	12,2
Fishery, fish farming	0,3	0,2	0,1	0,1
Mining	12,8	10,6	1,1	0,9
Manufacturing Processes	18,5	17,4	18,6	17,1
Elect., gas, water production and redistribution	3,8	3,7	5,4	4,9
Building	5,7	7	6,4	8,2
Trade	21,8	19	23,2	19,5
Hotels and restaurants	0,9	1,1	1,1	1,4
Transport and connection	10,6	9,3	10,2	9,3
Financial activity	1,1	0,5	0,7	0,2
Real-estate activities	9	11,5	7,9	9,3
State management, military security, social serveses	2,9	5,8	3,8	6,4
Education	2,8	3,3	3,8	4,1
Health care	3,1	4,3	3,6	5,1
Other community, social and personal service activities	1,5	1,5	1,3	1,3

***Source**: Russian Regions: Socio-economic indicators. 2016: Stat. Info. / Rosstat. M., 2016.*

Perspectives of their development are on one hand directly related to the dynamics of the material sector and the commercial services sector, which at the same time form both the demand and resources for their development, and on the other hand to the priorities of state social and investment policies. Thus, the estimation of the prospects for socio-economic development and the state's ability to finance socially significant and sensitive expenditures must be started with the identification of those sectors and businesses that have the greatest potential for the current and future competitiveness (Research of ways to improve the competitiveness of the economy of Rostov Region: monograph / R.V. Shekhovtsov, RA Abdullaev, AS Rybkina, AN Yeletsky, PA Emelianenko, Shekhovtsov RV Competitiveness of the region: issues of research methodology).

The greatest potential for future competitiveness belongs to the sectors (types of economic activity) in which the share of expenditures on R & D is relatively higher.

This criterion is the basis for the classification of industries according to the level of manufacturability (Perspectives for the development of Russian economy: forecast until 2030. Group monograph / edited by Academician V.V. Ivanter, PhD of Economics M.Yu. Xenofontov, "Characteristics of industrial activities of Rostov Region in 2014-2015"). Depending on the level of manufacturability the main enterprises' indicators are given in Table 5.

Table 5. *Dynamics of the main enterprises indicators and organizations of Rostov Region, depending on the technological efficiency level in 2014-2015*

Indicator	Period	place in Rostov Region	Share in RF, %	Figures, mln. rub
Low-tech industries				
Shipment	2015*	7	2,8	187649,1
Investments in the main capital	2015*	12	2,9	8494,0
Export	2014	9	3,6	13845,9
Innovation goods (Shipment)	2014	28	0,4	920,9
Medium-tech industries of low level				
Shipment	2015*	20	1,3	200250,7
Investments in the main capital	2015*	12	3,3	24714,4
Export	2014	19	0,8	44556,3
Innovation goods (Shipment)	2014	11	3,0	28692,5
Medium-tech industries of high level				
Shipment	2015*	10	3,2	130209,7
Investments in the main capital	2015*	11	2,8	7292,5
Export	2014	6	5,2	19803,1
Innovation goods (Shipment)	2014	8	3,1	23160,4
High-tech industries				
Shipment	2015*	34	0,9	34809,9
Investments in the main capital	2015*	42	0,3	1104,2
Export	2014	37	0,2	1582,3
Innovation goods (Shipment)	2014	20	1,7	5130,3

Source: *Draft Strategy for Investment Development of Rostov Region until 2030, p.171 - http://invest-don.com/en/new_element_408/.*

4. Conclusions and recommendations

In spite of seemingly predictable criteria of the results of social and economic development's estimate, it is not a trivial task to formulate goals, tasks and to choose priorities for the state investment policy (Ponomareva M.A., Shekhovtsov R.V., Khaibullin L.R. 2016). Improvement of the methodology to form strategic priority system of social and economic policy of the region). In particular, to provide the stability of economic development, it is necessary:
- to improve life quality of the population by expanding and qualitatively improving consumption;
- to maximize the efficiency of economic, social and natural resources usage;
- to provide scientific and technological development directed at solution of various economic, social, technogenic and natural problems;
-to provide social stability, social guarantees and freedom of the population on the level of profound standards and "best" practice.

Besides, the achievement of goals for stable economic development inevitably requires a certain level of institutional and infrastructural development (Factors and conditions for socio-economic development of the region: investments, infrastructure, and projects (on the example of Krasnodar Region): monograph / Kizim A.A., Savvidi S.M., Solakhov P.A.) In the modern market economy the state policy usually achieves final aims through the supporting environments and resources. Actually, the state (authorities) refuses to be responsible for taking decisions concerning the priority of specific markets and industries (The Development of the regional economy in the conditions of a new federation type's formation Shchemlev S.N.). Such approach can be justified in case of non-devastating character of the risks of the socio-economic situation deteriorating.

However, in crisis transformational situations, the active participation of the state in the distribution of the development basic resources through indirect and even direct regulation is fully justified. Basically it means that the expected stimulating and supporting costs in different areas are lower than expected costs of the entrepreneurial losses compensation, the supplying a minimum standard of living and social stability are not only justified, but also necessary. The tools of the economical state regulation are applicable in the following cases:
-the overcoming of crisis events;
-the realization the potential of catch-up development;
-the creation of the advanced development points due to stimulation and direct state participation in R&D.

In the process of the investment policy aims' creation, it is important to provide the balance between the final and the instrumental goals. The instrumental goals' achievement should be well-regulated and finally achieve the ultimate goals of the sustainable development. While goals and monitoring verifying the implementation of the investment policy, it is necessary to evaluate the way activities, indicators and

resources provide the ultimate goal – the sustain development of the region. (Ponomareva M.A. in Determination of priorities for the sustainable development of the region based on the human development index). It was noticed that one of the key conditions for sustainable the socio-economical development is the formation of a such macrostructural economics that would allow to maximize socio-economical effects of using in the situation of the limited economical, social and natural resources, and would implement and be based on the scientific and technological potential and take into account global technological trends that form the fundamental framework of the world economics. As the result, the next question can appear: - "What kind of the economical macrostructure do we want to have in 10, 20, 30 years, to solve the sustainable development problems? What should be done to transform the existing macrostructure into its target state? ". The answer is the content of the long-term state investment policy. One of its formation key issues is the prioritization of development directions (R.V. Shekhovtsov, M.A. Ponomareva, S.G. Yaroshenko, L.R. Khaibulin, "Instruments of Investment Attraction in Order to Fulfill the Structural Priorities of Sustainable Regional Development" (Stude Based of Rostov Region)). Only in such a way the maximum effects and effective resources' and processes' usage are achieved. In the process of the long-term state investment forming policy directed at the economical macrostructure transforming in order to ensure its long-term competitiveness the following approaches can be used as the prioritization methodological basis for:

1. Prioritization of economic activities taking into account the effect of the multiplier effect. The multiplier is a quantitative index that shows what fold the final indicators of the economical development change in case of volumes increasing and / or investments in a special type of the economical activity over a particular period of time. There is a production and an investment index. The decision on the sectoral priority is made on the basis of the multiplier effect. The multiplier effect depends not only on the quantitative value of the multiplier, that is, the greatest multiplier value which is calculated for a particular type of the economical activity does not always correspond to the greatest multiplier effect. The effect of the multiplier is determined by the following parameters:

-*the calculated value of the multiplier*. While calculating the multiplier, it is determined to what extent an increasing of the volume of activity in the calculated sector will lead the volumes' increasing in other sectors and the economics as a whole. This increasing is determined by the link of the sectors through cost changes. The volume increasing in the calculated sector leads an increasing in its costs, which increases the demand for other sectors. This calculation works on the basis of the inter-sectoral balance sheet and the usage of the «input-output» tables. In addition, it is necessary to take into account the extent of demand resulting from the costs increase in the calculated sector can be achieved by internal opportunities. That means it is necessary to estimate the level of import demand dependence. The higher the import dependence is, the less the multiplier effect is (Table 6);

-*the meaning of the sector (type of the economical activity) in the calculated economics.* It's obvious, the greatest effect will appear in the sectors that provide the

maximum increase in volume, that is, in sectors where not only the high value of the multiplier index , but also the volume (base effect) are fixed;

-the interactional cycle and the multiplier's influence. In the process of the multiplier effect calculating, the recoil velocity is important, the temporary pace at which the maximum positive effect is achieved, which depends on the organizational and technological characteristics of the sectors and it is economically expressed in the speed of capital turnover. In other equal conditionals, the higher speed of capital turnover is, the higher the multiplier effect in a definite period of time is.

Table 6. *Multiplication factors in the context of the main types of economic activity of multiplier in Russia*

Type of economic activity	Excluding import influence	Including import influence
Agriculture and forestry	1,06	0,75
Crude oil production	1,35	1,05
Natural gas production	1,31	1,01
Coal mining	1,39	0,92
Food production	1,40	1,02
Textile production	1,01	0,65
Woodworking and Polygraphy	1,41	0,96
Oil manufacturing	1,88	1,58
Chemical production	1,44	1,03
Chemical production	1,78	1,05
Ferrous metallurgy	1,65	1,18
Non-ferrous metallurgy	1,23	0,90
Manufacture of non-metallic mineral products	2,22	1,41
Manufacture of machinery and equipment	1,87	1,21
Manufacture of computer and office equipment	1,80	1,11
Radio, television and communication equipment manufactory	1,79	1,15
Automobile and equipment production	1,66	1,06

Manufacture of marine machinery and equipment	2,20	1,34
Aircraft manufacturing and space technology production	2,11	1,32
Railway equipment production	2,57	1,53
Energy, gas and water production and redistribution	1,52	1,14
Building	2,05	1,29
Shipping and storage	1,75	1,24
Connection	1,34	1,00

Source: *Shirov AA, Yantovsky AA Estimation of multiplicative effects in the economy. Possibilities and limitations // All-Russian Economic Journal of ECO, №2 2011, p.11-12.*

2**.** Prioritization of the sectoral development of the regional economics on the basis of the tools of the production functions, which are used to determine the effects of the goods release influence. Taking into account the productivity of resources (capital and labor) within the regional economic policy, it is necessary to encourage the redistribution of resources in order to maximize the final release - the gross regional product (Tyaglov S.G., Kuzminov A.N., Shirokov I.O., Khazuev A.I. The methodology of stimulating interindustry capital overflows as the basis of the industrial and tax policy of the state in crisis conditions). As a priority, the sector is chosen within which the maximum return on capital and human resources is ensured. Based on calculations using the Cobb-Douglas production function based on 2004-2014 results, the following results in Rostov region were obtained.

-for all types of activities, except financial activity, the growth of GRP is higher than the growth of the sources. In fact, the productivity of resources is constantly growing. As resources, the calculation of the value of fixed assets of large and medium-sized organizations and enterprises at the end of the year at full cost and the average annual number of employees in terms of economic activities were taken into account. The estimated data characterize the intensive economic growth in the region;

-practically for all types of economic activities for which a representative calculation was possible, with the exception of other industries and financial activities, the growth has the labor-saving nature, in which the growth of the resultant GRP index was mainly provided by an increase in the capital return. The growth of other productions and financial activities in the calculation period for Rostov region is a fund saving.

3. Prioritizing of the regional social directions and economic development based on the Forecast (Forecast of the scientific and technological development of Russia until 2030) and the Strategy (the Strategy of the scientific and technological

development of Russian Federation) for the long-term scientific and technological development of Russia. The reasonable side of this approach is confirmed by the ongoing increase in the science intensity and innovativeness of socio-economic activities, infrastructures, final products and services. In particular, in the Strategy the following directions are identified as the priority areas forming the basis of the state investment policy (the Strategy for Scientific and Technological Development of the Russian Federation):

-the transition to digital, intelligent manufacturing technologies, robotic complexes, new materials and methods of construction, work with BigData and artificial intelligence;

- the transition to a new economical and resource-efficient energetics, increasing the efficiency of production and processing of hydrocarbon, and the formation of new sources, transportation and storage of energy;

-the transition to the personalized medicine, health saving and rational, targeted usage of medicines;

-the transition to efficient and environmentally friendly argo- and aqua-production, the increasing of the efficiency of storage, transportation and processing of raw materials, creation of safe and functional food products;

-the resistance to technogenic, biogenic and socio-cultural threats, including cyberthreats for society, economy and the state;

-the creation of intelligent transport and tele-communicational systems, leadership in the transport and logistics sector, development and usage of space, the World's Ocean, the Arctic and the Antarctic;

-the humanitarian and social development in order to create a resource for responding to global challenges, taking into account the interaction between human and nature, human, technology and social institutions.

In addition, the Forecast identifies promising markets, products and services.

4. The prioritization of transformation of the macrostructure of the economy using the matrix of the national technology initiative (STI).

STI is a complex of projects and programs aimed at creating conditions in Russia for its active involvement in the processes of global change through the formation of standards for the markets of the future and the receipt by Russian companies in these markets of a significant share (http://www.nti2035.ru/nti/). Design and implementation of STI is carried out within the framework of the so-called matrix, which includes such components as: markets, technologies, talents (personnel) and services. Priority markets of STI are (http://www.nti2035.ru/markets/):

AeroNet - the distributed systems of air drones;

AutoNet - the distributed network for driving without a driver;

MariNet - an intelligent maritime transport management system and technologies for the development of the World Ocean; -

NeuroNet is a market of human-machine communication tools based on advanced neuro-technological developments and increasing the productivity of human-machine systems, the production of mental processes. The market predecessor is the market of portable devices that transmit information via the Internet. New

technologies, products and services of Neuronet will be developed on the basis of the results of an intensive study of the human brain and nervous system;
HealthNet is the market for personalized medical services and medicines that provides the growth of life expectancy, as well as the getting of new effective means of prevention and treatment of various diseases;
-FoodNet - the market for the production and sale of nutrients and final types of food products (personalized and general, based on traditional raw materials and its substitutes), as well as related IT solutions (for example, providing services for logistics and selection of individual food);
EnergyNet - distributed power from personal power to smart grid, smart city;
SafeNet - safe and secure computer technologies, solutions in the field of data transmission, security of information and cyberphysical systems;
FinNet - decentralized financial systems and personalized network financial services.

It is necessary to note an important difference in the definition of the priority directions for the development of the macrostructure of the economy on the basis of multipliers and production functions and approaches implemented in the Strategy, the Forecast of STD and STI. Within the last, the prioritization of the long-term social and economic development is formed not on the basis of the traditional sectoral approach, but in the next categories - "critical technologies, technological platforms, promising markets".

It happens because we are talking about the formation of a future economics, which today cannot be structured according to the current classification criteria. In this situation, several scientific-ideological and instrumental problems were revealed. In particular, the radicalization of positions is when each side argues the need to use only one of the approaches. In fact, we are talking about the balance of the structure of the economics, which can change, but cannot change immediately and crucially. The macroeconomic stability is achieved as a result of the stability of the macrostructure of the economics, which combines the diversity of sectors with different life cycles and stages, and the variety of infrastructures that cannot be attributed to the new technological order. They are host markets, in which, in fact, breakthrough technologies will be implemented and innovative products and services will be consumed. The transition to forecasting and planning of the future structure based on new technologies and markets necessarily requires a change in the statistical accounting system, because the current statistics is based on other principles of aggregation of socio-economic activity. The investment policy aimed at transforming the macrostructure of the economics, ensuring the sustainability and long-term competitiveness of the regional socio-economic system, must take into account the multidisciplinary nature and complexity of the object, the target orientation and draw on the variety of means to achieve it.

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