Investment policy of the region as a factor of sustainable development

Musa Basnukaev¹,³,*, Ismail Bataev², and Adam Gaisumov¹

¹Chechen State University named after A.A. Kadyrov, Grozny, Russia
²Institute for Advanced Training of the Ministry of Finance of the Chechen Republic, Grozny, Russia
³Comprehensive Research Institute named after H. I. Ibragimov RAS, Grozny, Russia

Abstract. The investment policy of the region is studied using the example of the Chechen Republic. Priority investment projects and government support measures for project initiators implemented in the region are considered. The actions of the republican authorities on the ongoing work to attract domestic and foreign investors are shown, carrying out for these purposes the process of progressive practical implementation of a set of powers related to the regulation and regulation of the investment process. In the process of direct practical implementation of the chosen course of regional investment policy, a set of measures has been outlined, the purpose of which is to attract the maximum amount of investment to the region for the subsequent modernization of the industrial complex of the Chechen Republic, improving production efficiency and expanding production capacity, creating conditions for entering new markets. It is concluded that significant positive transformations are observed in the region and significant efforts and resources have been accumulated for the subsequent implementation of activities in conditions of sustainable growth and development.

1 Introduction

The Chechen Republic is actively developing and becoming interesting for investors. Thanks to various measures developed and adopted to support business activities and improve the business climate, the region has become one of the most dynamically developing and investment-attractive regions in the North Caucasus Federal District.

2 Materials and Methods

Today there is no unified methodology for analyzing investment attractiveness. This is due, first of all, to the fact that for different investors the concept of investment attractiveness has different meanings. To solve the problems, the following methods were used: synthesis, analysis of statistical data, deduction, systemic and comparative analysis. The materials for the study were data from a single region.

*Corresponding author: basnukaev@hotmail.com
3 Results and Discussion

Currently, a number of fundamental principles for implementing the chosen course of state policy have been defined in the investment sector of the Chechen Republic. On this basis, the republican government is carrying out systematic work to attract domestic and foreign investors, carrying out for these purposes a process of progressive practical implementation of a set of powers related to the regulation and regulation of the investment process.

Thus, in the complex of systematic measures to improve the investment climate, it is necessary to highlight the adopted Order of the Government of the Chechen Republic dated December 16, 2019 No. 422.1-r “On approval of the Individual Investment Development Plan of the Chechen Republic until 2024.” [1] As part of the current policy, various measures of state support are applied to the initiators of projects included in the list of priority investment projects of the Chechen Republic, such as: tax benefits, provision of state guarantees, subsidizing the interest rate on attracted bank loans.

In 2022, the List of priority investment projects of the Chechen Republic includes 44 investment projects with a total investment volume of 204.2 billion rubles and with the creation of 14,794 jobs, including by industry:

- industry, energy, construction - 16 projects worth 155,966.78 million rubles (9,261 jobs);
- agro-industrial complex – 22 projects worth 25,416.89 million rubles (3,082 jobs);
- leisure and tourism industry and communications - 6 projects for 22,859.16 million rubles (2,451 jobs).

According to available data for 2019, government support measures for the direct practical implementation of investment projects that passed the approval procedure were provided to 33 regional enterprises. An equally large-scale figure was recorded for 2020, when 30 enterprises were able to take advantage of government support measures, investing in the implementation of planned projects. The total amount of preferences amounted to at least 782 million rubles.

During the next budget period, it is also planned to continue the implementation of government programs to finance the activities of investors at the expense of the state, for these purposes providing them with tax preferences and benefits on property tax and income tax. In 2022, the total amount of preferences is set at 1 billion rubles.

The Government of the Chechen Republic is implementing an effective policy in the field of attracting investors to the regional economy. Thus, in 2021, a large-scale project was launched to use innovative techniques to productively support import substitution.

For these purposes, the following fundamental measures are being implemented:

- it is planned to include regional organizations and enterprises in the structure of industry procurement plans to support the activities of state corporations (Gazprom, Russian Railways, Rostec, Rosseti);
- a project is being implemented to develop and establish effective operational relationships, the participants of which will be large industrial enterprises and small businesses, design bureaus, and research institutes. Thus, conditions are created to achieve the highest level of production localization on the territory of the Chechen Republic.

In 2022, the implementation of 173 investment projects with a total investment volume of 15.75 billion rubles was completed in the republic and 1,261 jobs were created. The largest of the implemented investment projects: the creation of objects of the innovative construction technology park "Kazbek" (stages 2 and 3) (total investment - 8,548.28 million rubles, 295 jobs created), construction of the multifunctional complex "Minutka" (total investment - 1 543.50 million rubles, 30 jobs created), construction of the Olympic Judo Center named after V.V. Putin (total investment - 300.0 million rubles, 30 jobs created), construction of the
Severny residential microdistrict in the city of Urus-Martan (total investment - 1,852.0 million rubles, 135 jobs are planned to be created) and etc.

To increase the efficiency of investment activities, the corresponding Order of the Government of the Chechen Republic No. 190-r dated June 23, 2023 “On approval of the regulations for the formation and maintenance of the investment map of the Chechen Republic” was adopted [2] and work was carried out to implement the road map.

Thus, based on the results of activities in this direction, in the region it was possible to carry out the practical implementation of all sections provided for in the Standard in the amount of 15 units. After carrying out analytical activities in this direction, specialists from the Agency for Strategic Initiatives came to the conclusion that the identified factors indicate that each planned section is being carried out properly.

Currently, a set of large-scale measures is being implemented, the purpose of which is to implement effective monitoring to track the quality characteristics and performance parameters of all work provided for in individual sections of the standard. The main goal of these activities is that in the future, based on the data obtained, it is possible to supplement and update the Standard.

“Road maps” have been developed, the purpose of implementing activities in which is aimed at the formation of special economic zones, since as a result of these activities, equal access for investors to enterprises of engineering transport and business infrastructure will be provided, the opportunity to take advantage of significant tax benefits and receive effective customs preferences.

At the same time, work has been completed to create roadmaps for a number of fundamental areas of work. In particular, these areas are: work on connecting to regional energy resources, facilitating the process of issuing permits for construction work, using tools and methods of state support, improving quality characteristics and increasing the availability of human resources. All this is ultimately aimed at eliminating unnecessary administrative barriers, which largely complicate the process of practical implementation of investment projects that have passed the approval procedure.

In order to facilitate activities and increase their efficiency, an authorized specialized organization for attracting investments and working with investors, the Development Corporation of the Chechen Republic, operates on the territory of the Chechen Republic. [3] Today, this institution performs the functions of the Unified State Operator in the field of development of the infrastructure sector, facilitating the process of placement and productive implementation of investment projects that have passed the approval procedure.

The investment Internet portal began its work. Activities have been completed to create an interactive map with a database on a number of existing objects, the implementation of which can be started by potential investors. At least 15 investment sites have been created, their total area is 3.5 thousand hectares of land.

In 2022, the Corporation entered into agreements with 12 business entities on support of investment projects on the “one-window” principle, within the framework of which cooperation is established between the parties in the preparation and implementation of investment projects in the territory of the Chechen Republic. [4]

Work is underway to create an interdepartmental commission, which will be in charge of the practical implementation of investment policy. In order to increase productivity, a special Council has been established, which is in charge of increasing the efficiency of investment activities and generally improving the regional investment climate.

In the process of direct practical implementation of the chosen course of regional investment policy, a large-scale set of measures is being carried out, the purpose of which is to attract the maximum volume of investment to the region for the subsequent modernization of the industrial complex of the Chechen Republic, improving production efficiency and expanding production capacity, creating conditions for entering new markets.
In this regard, a key area of work is the production of pipeline and shut-off valves, components that can be used, among other things, in the process of functioning of the oil and gas complex (“GUSAR”, “Armagus”, “Murom Pipeline Valves Plant”).

In addition, the areas of investment activity in the Chechen Republic are the machine tool industry and the sphere of industrial hydraulics and the production of robotic complexes. It is also necessary to highlight another area for investment, in which enormous potential is concentrated - pharmaceuticals. Taking into account the fact that the largest share of the pharmaceutical market in Russia is currently occupied by drugs exported to Russia from abroad, it is easy to conclude that colossal potential is concentrated in this area of work; with its proper use, it is possible to achieve the highest indicators in the field of increasing the competitiveness of domestic enterprises. Today, a number of key pharmaceutical enterprises operate in the region.

RK GROUP LLC currently occupies a leading position among Russian enterprises and represents an innovative technical group of enterprises carrying out very productive activities towards the implementation of the provisions provided for in the Development Strategy of the Pharmaceutical Industry until 2025. This group of companies today represents a leader among other enterprises participating in the process of implementing measures included by decision of the Government in the import substitution program during public procurement for the purchase of medicines created as a result of the use of high technologies.

A significant amount of investment is directed towards the development of another fundamental area of activity, within which the solution of the most pressing environmental problems is ensured. In this case, we are talking about creating effective water purification systems. An enterprise that produces nanostructured membranes “RM Nanotech” operates in the region. This business entity occupies a leading position among European enterprises, producing innovative equipment for water purification, thus solving one of the most pressing modern problems associated with organizing the production and supply of drinking water to the population, purified from harmful impurities and having undergone all the necessary stages of processing.

Significant positive changes are being observed in the use of innovative construction methods and the use of advanced thermal insulation technologies. Thus, the company Chechencement JSC today occupies a leading position among other economic entities in terms of production volumes of building materials. Large-scale projects are being implemented, the purpose of which involves the development of engineering, climate control systems and electronics in the implementation of a program developed by specialists of the Rusklimat company in order to organize efficient production for the production of cast aluminum heating radiators and industrial ventilation components.

Significant potential in terms of investment today is concentrated in the production of energy-saving equipment and technologies, since thanks to the introduction of energy-saving technologies into many areas and areas of activity, it will be possible to optimally solve the pressing problems of the modern world.

Despite the difficulties that arise, already at the moment, enterprises in the region have the necessary resources, technologies, knowledge and human resources to produce energy-efficient electric motors and gearless elevator drives. In the process of partnership with Gazprom Gas Engine Fuel and OJSC Grozneftegaz, projects are being implemented aimed at developing the gas engine fuel market in the Chechen Republic. Strategic and operational plans provide for a set of measures aimed at establishing serial production of special equipment and buses in the region that can run on gas engine fuel.

Negotiations on the implementation of investment projects have been completed with a number of leading Russian enterprises Belew International Group (YutexRu) for the joint construction of a carpet production plant and a logistics center, ModulStroy LLC for the construction of a plant manufacturing modular blocks, Kvartswerke OJSC for the creation of
production capacities for the enrichment of quartz sand, JSC "Ostek" for the production of construction activities for the construction of a technology park. In a relatively short period, it was possible to launch 16 new production facilities, as a result of which it was possible to create at least 2,000 jobs, which has a positive effect on activities carried out to combat unemployment.

It is also necessary to highlight a number of key investment projects that are of enormous strategic importance in terms of further regional development and improving the quality of life of the population of the Chechen Republic:

- production activities for the production of thermal insulation products, when foam glass of the Teplostroyproekt-S brand is used as the basis of production technologies (the volume of investment is 5.8 billion rubles, the total number of newly created jobs is 240 units);
- establishing the activities of an innovative production mechanical complex operating for the production of pipeline and shut-off valves with large diameters for establishing the activities of enterprises in the oil and gas sector - Grozny Plant of Reinforced Concrete Structures (GZZZBK), GZZBK produces reinforced concrete products and ready-mixed concrete (total investment is 2.5 billion rubles, the number of newly created jobs is 600);
- the process of producing bitumen shingles by Chechenhome Systems LLC was organized (the total investment volume was set at 1.2 billion rubles, the number of newly created jobs was 80);
- furniture production on the basis of the Medni Furniture LLC enterprise in Grozny (the total investment volume is 1.06 billion rubles, the number of newly created jobs is 350 units);
- Technopark “Rusklimat” (the volume of investment investments is set at the level of 960 million rubles, and the total number of newly created jobs is 630 units), on the basis of this technology park the process of functioning of the three largest enterprises has already begun: the priority process for the production of cast aluminum radiators has been established and industrial ventilation and heating systems of Industrial Platform Group Klima LLC, the launch of a plant for the production of heating equipment of IZTT LLC was launched and the process of functioning of the plant producing ventilation equipment for the industrial sector of Ventinzhmash LLC was organized;
- the process of production of lamps, cable channels from metal profiles, BUSBAR power supply and distribution systems, production of electrical equipment based on the facilities of “Eaeelektrik” Turkey has been established (the total investment amounted to at least 600 million rubles, the number of newly created jobs is 40 units);
- the process of integrated production of large-sized SMC plastics and automated processing of thin sheet metal based on high technologies was organized to support the activities of Russian Railways and the Automotive Industry on the basis of the LLC NPO "VOYAZH" enterprise (the volume of investments in this area of work amounted to 574 million rubles, the number of newly created workers seats is 155 units).

This is a relatively small part of enterprises and organizations that, in the course of their operation, provide significant assistance and assistance in terms of developing the investment climate in the Chechen Republic. At the same time, it should be noted that the region concentrates colossal investment potential on its territory, so it is necessary to determine exactly what expectations potential investors have today who are considering the issue of pouring their finances into the economy of the Chechen Republic.

Every potential investor, making a decision to allocate capital from his own funds to the implementation of a particular investment project, strives to protect himself as much as possible from all kinds of risks. For these purposes, by decision of the regional authorities, the process of implementing measures to register investment sites has been intensified. Also, support measures and measures to combat possible risks imply providing large investors who allocate more than 2 billion rubles to the economy of the Chechen Republic with the opportunity to obtain plots of land into their ownership. As a result, potential investors can
pledge plots of land obtained in this way, and they are also given the opportunity to obtain additional loans.

At the same time, each investor strives to carry out its activities on a platform where an effective communication system will be organized. As a result of systematic measures in this direction, it was possible to resolve issues related to connecting gas, water and electricity, other necessary communications and channels for supplying resources without any difficulties and in the face of eliminated administrative barriers. Currently, large-scale measures are also being taken to reconstruct existing lighting systems and create new ones, and the construction of highways has been activated to establish interregional connections and connections within the region.

In addition to everything else, activities are currently being implemented on the territory of the Chechen Republic as part of the personnel training program, when this process is carried out directly in the activities of key regional enterprises. Modern enterprises have an urgent need that, as a result of the training of leading specialists on the basis of educational organizations, who subsequently undergo internships at key enterprises in the region, they subsequently decide to continue their activities at republican enterprises. Thus, conditions are created to prevent the outflow of highly qualified personnel from the territory of the Chechen Republic.

At the same time, a large-scale program of measures is being implemented to create the so-called knowledge economy. This area of work is of enormous importance from the point of view of the further economic and social development of the Chechen Republic. The main efforts are concentrated in the production of key research activities, where the leading scientists of the republic are involved in processes, projects and programs in the field of scientific discoveries. Thus, the applications for the regional competition to the Russian Science Foundation “Conducting fundamental scientific research and exploratory scientific research by small individual scientific groups” (Competition 2024) included the following research projects:

An assessment of changes in the dynamics of investment processes in the Chechen Republic allows us to conclude that significant positive transformations are being observed in the region and significant efforts and resources have been accumulated for the subsequent implementation of activities in conditions of sustainable growth and development.

Despite the enormous positive changes in investment activity, there are also a number of problems that are caused by the influence of the following key aspects:
- currently in the Chechen Republic there are only a small number of investment sites that demonstrate an adequate level of development of the relevant infrastructure;
- institutions and mechanisms for supporting investors demonstrate a low level of development;
- the budget of the Chechen Republic does not have the ability to allocate significant amounts of potentially necessary resources, as a result of which large-scale investment projects cannot be implemented;
- objects of historical and cultural heritage of the region are not used properly to ensure the progressive development of the tourism sector;
- municipalities of the region are at different levels of development of their investment potential;
- the currently existing engineering and utility infrastructures are at the stage of their maximum wear and tear;
- there is a clear shortage of human resources with a high level of professional skills, a shortage of working specialties is noticeable;
- the demographic situation in the republic is characterized as complex; a high level of labor migration is recorded.
4 Conclusion

A study of the investment processes currently taking place in the Chechen Republic allows us to conclude that there are positive shifts and changes that indicate the formation of optimal prerequisites for growth and development. At the same time, a number of problems remain, the resolution of which will require time and significant resources. It should be noted that among the most pressing problems in the investment sector, it will also be necessary to highlight the problem of an ineffective system of public services for entrepreneurs, the presence of serious administrative barriers that are observed at the level of local governments. The small business sector also does not demonstrate a high level of development; effective mechanisms for supporting small businesses have not been created, The regional logistics and transport infrastructure requires a higher level of development, and the engineering infrastructure for investment activities is awaiting its development. In order to improve the situation and ensure the dynamic development of the economy of the Chechen Republic, it will be necessary to implement a set of effective measures to expand the volume of investments poured into the regional economy, which will ultimately make it possible to modernize existing production facilities and create new ones.

References

1. Information and analytical system of the RNF (2023), https://grant.rscf.ru/gen/doc-00000000000000008930925-1_/task.pdf