
Investment Development of Russian Regions Backed up by Natural Monopolies

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Abstract:

The article considers the issues of the relationship between business investment activities and the economic and social development of the regions.

Based on the statistical data analysis it is shown that the decrease in investment activities negatively affects all key indicators of regional development after a short period of time.

The article shows that a peculiarity defining Russian economy is that its significant part is actually controlled by natural monopolies. At the same time, they are strongly sensitive to all the problems of socioeconomic development of the country's territories and, therefore, are parties concerned in ensuring sustainable and qualitative growth of regional economies.

Today many of the natural monopolies implement large-scale investment programs with allocated substantial resources. The analysis of these investment programs showed that they all contain components that contribute to the development of the region where the manufacturing facilities or transportation capacities of these companies are located.

It is concluded that a systemic state investment policy aimed at stimulating real investments, rather than "portfolio" ones, is required to address the problem of sustainable economic growth.

Keywords: *State investment policy, natural monopolies, investment activity, government regulation, development programs, regional economy, regional development.*

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1. Introduction

During 2014-2017 the economy of the Russian Federation has experienced a period of low economic growth (even a decline in dollar terms), identified as signs of a recession by numerous experts. Since the end of 2017, economic growth has been recorded, but its rates are unsatisfactory: they are significantly lower than the global average economic growth indicators, and make it impossible to reach the level of developed countries in the foreseeable future. It can be stated that the previous model of the country's economy development has outlived itself, and further adherence to the same principles and use of the same mechanisms as in previous periods is unproductive. In the search for alternative models of development, most attention today is paid to such an instrument as public-private partnership. In this regard, the positive experience of other countries is actively borrowed.

One of the directions that can significantly improve the growth performance of the country's economy as a whole is the concentration of manpower and resources of the state policy at the regional level (Zaborovskaya, 2014).

Regional development promotion, unlike the policy having priority mechanisms of federal level, is able to fully unlock the potential inherent in the country. The methods and levers for economic growth intensification that had been used previously assumed that macroeconomic regulation (credit easing programs, tax preferences, sectoral policies) are able to cause the growth of the economy as a whole. However, GDP growth as such is only one aspect, and the quality of economic growth, real development and the growth of national welfare is a slightly different matter (Babaev and Dubrovsky, 2015). Theoretical studies of the nature of economic growth, as well as the reflation practice in many countries (including Russia) showed that with the same formal indicators of GDP growth, the real level of economic development can differ considerably (Auriol and Picard, 2009). Thus, there is already an opinion that GDP as the main indicator of economic development contains several significant shortcomings. In addition, its level can be simply falsified; the percentage of GDP growth in the country may not be related to the real economy development and the rate of increase in the population well-being.

2. Literature Review

Such a concept as financialization has been established in economic science (Dubinin, 2017). This term implies a disproportionately large share of the financial sector in the country's GDP: the banking system, the stock market, and the financial instruments market (including derivatives). The significance of this concept is great in the context of the country's investment development in the sense that in many ways GDP growth, which was observed both in the world and in Russia, was largely associated with the growth of the financial sector, which increasingly replaced real production (Clark and Easaw, 2007). Precisely this circumstance can explain the fact that the long period of economic growth that had been noticed in Russia did not

cause a massive rise in the standard of living. Apparent positive effect of such growth was felt only by certain segments of the population. Russia's economy increasingly needs high-quality economic growth, which would entail the country's comprehensive development, improving the well-being and quality of life of the population. At the same time, such economic growth should be supported by active investment activities in the real sector of the economy (Agazade, 2014). Such growth should be based on real development of the regional economy, renewal of the production base, creation of new industries, development of transport and social infrastructures.

In addition, the real increase of the gross regional product (hereinafter – GRP) in each region is also crucial in the context of maintaining its social sphere. To support the region's socioeconomic development (unemployment rate, quality of medical care, real incomes of citizens), it is extremely important to locate competitive industrial enterprises within its territory, and create a favorable business environment (Pavlova *et al.*, 2015). In practice, economic growth, backed up only by the financial component, has a very limited expression at the regional level, especially in medium and small settlements. The investment cycle, which stays within investing in financial instruments, cannot provide a "multiplier effect" in the economy, and does not entail creating high-paying jobs or investing in the social sphere of the region (Vikharev, 2013).

Currently natural monopolies play a key role in the development of regional economies. This state of affairs arose as a result of the interaction of a number of factors. A considerable part of the Russian economy is actually controlled by natural monopolies. The nature of such monopolies is explained by the fact that in many spheres of business it is technologically difficult and economically unprofitable to split the business into several fragments (Lim and Yurukoglu, 2018). The railways are the most obvious example. The operation of the country's railway tracks by more than one company significantly reduces the overall effectiveness of this system and increases technological risks.

The formation of natural monopolies in Russia is largely a legacy of the Soviet era. As a rule, at that time each large sector of economy had an independent organizational structure. Such a structure could be either a state administrative body or a large state-owned enterprise. Over time, precisely these state-owned enterprises became the basis for the emergence of modern natural monopolies. All of the present-day largest natural monopolies were previously single amalgamations, as well (Kuternin, 2017).

The experience of the country's economic development shows that under Russian conditions natural monopolies have become factors of economic growth and infrastructure development in the regions (Scherbak, 2015). Natural monopolies conduct the most active investment activities, and in every way support innovative activities. Most importantly, natural monopolies are oriented towards investing in

the real economy, developing comprehensive, capital-intensive infrastructure projects (Grunichev *et al.*, 2015). Unlike portfolio investors, who are determined only to develop the project to a certain stage, and then to withdraw profits, natural monopolies will be present in the market for a very long period, constantly developing their facilities. In addition, the main source of profit for natural monopolies is payment for the goods and services provided in general (according to the tariffs agreed with the Antimonopoly Committee) (Sedláček, and Valouch, 2009), and they do not have the need to "pump money" out of any particular project or region (Nick and Wetzel, 2016).

3. Material and Methods

A hypothesis was formulated as a basis for the study on the expediency of considering the investment programs of natural monopolies as an element of state strategic planning. The article will analyze the interconnection and interdependence of investment activities and regional development, as well as assess the contribution of companies conducting natural monopoly business to investment activities at the regional level. The quality of life was assessed in the context of the federal districts of the Russian Federation in terms of the following indicators: per capita incomes of the population (RUB/person), level of motorization (auto/person), housing provision (sq.m/person), and fixed capital investment in Russia in relation to population (RUB/person). The methods of comparative and financial-economic analysis, as well as statistical processing of information, were applied as tools for scientific research.

The materials of the Ministry of Finance of the Russian Federation, the Ministry of Economic Development, the Federal Service of State Statistics, the materials of leading consulting companies, as well as OECD iLibrary, Bloomberg, ProQuest Research Library, WorldBank, ISI WebofKnowledge databases formed the informational-statistical base

4. Results and Discussion

There is a direct link between investment activities in the region and a change in the quality of life of its residents. In the event that the level of investment activities is declining in any region, very soon it will negatively affect all its key indicators (Kaplan and Norton, 2008). An analysis of Russia's GDP dynamics over the past 15 years shows that the nominal gross product in the country has increased by 4.2 times (in ruble equivalent, at prices quoted). At the same time, the growth rates of quality of life and living standard in the country's regions were significantly lower.

It should be noted that the quality of life itself is a fairly broad concept (Grigorieva *et al.*, 2014). There are several approaches to what indicators should be identified as components of the quality of life. The most common standpoint is that the category of quality of life implies a set of characteristics of the social sphere that directly

describe the level of material well-being in all its manifestations. The volume of average per capita income is the main component of the concept of living standard (Table 1).

Table 1. Average per capita incomes of the Russian population, broken down by federal districts, in 2005-2018, (RUB thous./month)

Federal district	2005	2010	2011	2012	2013	2014	2015	2016	2017*	2018*
Central	10.9	24.6	27.0	30.0	33.4	34.9	38.7	39.3	42.9	45.46
Northwestern	8.9	19.8	21.1	23.4	26.1	28.5	32.2	33.2	35.9	38.26
Southern	5.7	15.1	16.5	18.8	21.8	24.3	27.0	26.3	29.9	32.04
North Caucasian	4.5	13.2	15.0	17.1	18.9	20.6	23.0	23.4	25.7	27.42
Volga	6.2	15.8	17.2	19.6	21.8	24.0	26.2	25.7	28.7	30.57
Urals	9.5	21.8	23.9	26.3	28.9	30.4	32.8	32.5	35.6	37.48
Siberian	6.7	15.0	16.5	18.4	20.4	21.4	23.5	23.7	25.8	27.27
Far Eastern	8.9	20.8	22.8	25.5	28.9	31.9	36.2	36.4	39.9	42.62

Source: compiled by the authors based on Yegorenko et al., 2017.

**Note:* estimated figures, compiled by the authors.

In the last fifteen years, this indicator has been characterized by the following. For the major part of this period this indicator increased consistently (on an all-Russian scale), although the rate of this growth was inferior to the rate of GDP growth. In addition, both earlier and now a very significant difference has existed between the level of income in different regions – almost by 1.5 times. The most important thing is that, beginning in 2014, the growth of incomes has practically ceased (in ruble terms).

The level of motorization (number of cars per capita) (Volodin, 2015) and housing conditions (Nidziy, 2016) are also important indicators of well-being and standard of living of the population. And, although both of these indicators grew during the period under study, it can be concluded that this growth, just as the growth of incomes of the population, occurred at an extremely slow rate. Thus, despite the fact that the housing deficit in Russia is recognized as a problem of the state scale, the pace of housing construction is still unsatisfactory. The deficit of investments in the construction sector and, as a result, the constant shortage of housing stock indicates that the current mechanism of economic growth cannot provide investment resources for the construction industry in the required amount.

The analysis of the quality of life data shows that the nominal GDP growth that the Russian economy has demonstrated over the past few years does not entail a proportional increase in the well-being and quality of life of the population. The reason for the lack of link between these two processes can be explained by the fact that for GDP growth to have concrete expression in the population's well-being, it is necessary that at the regional level such growth should be backed up by the real

development of the economy. The most favorable effect in this respect can be observed in the regions where there is a developed industry, which is represented by large enterprises employing a great number of workers. Moreover, the greatest social effect can be observed when such enterprises adhere to the principles of social responsibility, or enter into large industrial (or infrastructural) associations. They are acting, by virtue of a number of circumstances, as a unifying factor for the production sphere of the region where they are located.

The current level of investment activity in the Russian regions can be described as unsatisfactory. Formally, the volume of the main indicator of investments (fixed capital investment) remains rather high (Table 2). In the period of 2005-2010 fixed capital investment has grown significantly in the country. However, starting from 2013, the actual volume of investments remains almost unchanged (in ruble terms), therefore, in view of the fact that the purchasing power of the ruble has significantly decreased, a shortage of investment resources can be stated.

Table 2. Fixed capital investment in the Russian Federation broken down by federal districts (RUB bn.)

Federal district	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018
Central	964	2099	2458	2961	3331	3570	3578	3795	4199	4470
Northwestern	483	1134	1329	1485	1416	1406	1437	1660	1636	1692
Southern	245	907	1079	1254	1506	1383	1296	1110	1333	1361
North Caucasian	93	313	347	402	445	494	475	484	450	457
Volga	609	1437	1702	2012	2301	2384	2463	2429	2257	2296
Urals	593	1490	1838	2037	2167	2368	2357	2730	2284	2320
Siberian	346	980	1219	1459	143	148	138	140	455	418
Far Eastern	276	787	1060	971	842	810	905	985	898	896

Source: compiled by the authors based on Yegorenko et al., 2017.

**Note:* estimated figures, assessed by the authors.

If such level of investment provision of the economy continues, it will be impossible to reach achieve the main declared goals of the country's development (Kessides, 2005). To ensure a permanent renewal of fixed assets, it is critically important to increase sharply both the volume of fixed capital investment and its percentage ratio to GDP. In addition, as in case with other indicators of the country's development, there is a very big difference between the regions regarding the investment volume, which is also a challenge for public policy. The per capita investment activity indicator repeats the same basic features as the investment activity indicator in absolute terms (table 3).

Differences exist only in the fact that negative trends as recalculated per capita are even more pronounced. This also applies to the differences in regional levels, and the "stagnation period" during 2013-2016 (RF GEO No.1689-r, 2013).

Table 3. Per capita fixed capital investment in the Russian Federation broken down by federal districts (RUB thous.)

Federal District	2005	2010	2011	2012	2013	2014	2015	2016	2017	2018
Central	25	54	63	76	85	94	94	96	107.6	114.5
Northwestern	35	83	97	108	102	101	103	119	115.5	119
Southern	17	65	77	90	108	85	79	67	84.15	84.8
North Caucasian	10	33	36	42	46	51	49	49	44.1	44.2
Volga	19	48	57	67	77	80	82	81	71.01	71.2
Urals	48	123	151	167	177	193	191	221	176.3	176.7
Siberian	17	50	63	75	74	76	71	72	69.08	69.18
Far Eastern	42	124	168	155	135	130	145	159	145.3	145.3

Source: compiled by the authors based on Yegorenko et al., 2017.

**Note:* estimated figures, assessed by the authors

The investment crisis in Russia is predetermined by several reasons: a prolonged economic recession; a decrease in gross national savings; inflationary trends; lowering stability of the national currency; structural changes in the money stock; decrease in investment payments of the state budget in the unreturned growth of financing of investments from own and attracted funds of organizations; strengthened crisis of the budgetary system; nonpayment volume growth; unstable financial position of organizations; non-compliance with the processes of creating social capital; the choice in obtaining revenues in the financial market, the empty inflow of foreign investment; unreasonable economic activities of the state; deficiencies in legislation; a long-term pace of institutional reforms.

The domestic experience of reforming the investment environment is mostly negative, which is caused both by the imperfection of the overall concept of reforms and by the low-grade practical implementation of the principles laid down in it. Positive trends in the application of the updated economic mechanism in this environment can be formed only at the next stage of the reforms. But this is possible only in case of a significant adjustment of the practical measures of the completed stage and concretization of the conception of the investment mechanism reforms (Katerusha and Pogrebnaya, 2016).

To solve multiple problems of economic growth, introduce cutting-edge technologies, equip the production of competitive products, a cumulative state investment policy is required that will be aimed at creating a suitable investment climate in Russia, in its regions and in industrial production spheres. It will significantly increase the inflow of investment resources into our economy and will certainly ensure the fulfillment of economic growth opportunities existing in Russia. It is important to have real investments, rather than "portfolio" ones. Let us analyze the relationship between the investment activities of natural monopolies and regional development. The largest Russian natural monopolies are RZhD (Russian Railways), Aeroflot, Gazprom, and Transneft (Table 4).

Table 4. Main indicators of the largest Russian natural monopolies (over 12 months of 2017)

Company	Proceeds, RUB bn.	EBITDA, RUB bn.	Net profit, RUB bn.	Headcount, (thous. persons)
Aeroflot –Russian Airlines PJSC	532.9	56.0	23.0	26.4
Gazprom PJSC	4313.0	1467	100.3	459.6
Transneft PJSC	884.3	408.7	191.8	114.2
Russian Railways JSC	1697.5	496.0	140.0	894.1

Source: Compiled by the authors based on the analysis of the consolidated financial statements of these companies over 2017.

Russian natural monopolies perform several important functions in the national economy. They are the largest employers and taxpayers (Ponkratov and Pozdnyaev, 2016). Moreover, unlike representatives of the private sector, they do not seek to minimize the payroll budget and the staff headcount. The analysis of investment programs of the largest natural monopolies showed that, despite significant differences, they all contain components that contribute to the development of the region where the production capacities of these companies are located (Open Government, 2016).

Thus, the investment program of PJSC Aeroflot-Russian Airlines is characterized by the emphasis on the company's long-term development. Such areas as the constant expansion of the aircraft fleet and its renewal are among its priorities. The investment program of PJSC Aeroflot is important for the regional development as it supports the flights to the Far East from the central regions of the country, as well as establishes communication directly between the largest cities. The problem is that the aviation communication of a particular region with other parts of the country and the world's largest centers directly affects its investment attractiveness and prospects for development. That is why, the company's development strategy singles out separately such a direction as ensuring the socioeconomic development of remote regions (Table 5). The essence of the PJSC Aeroflot investment in this direction includes several positions. The main event is to optimize passenger traffic and work out a subsidy mechanism that could satisfy the population's demand for long-distance flights and be feasible for the federal budget. The practical side in the implementation of this direction implies constant increase in the company's aircraft fleet.

Table 5. Program for ensuring socioeconomic development of remote areas of PJSC Aeroflot - Russian Airlines

Activities	Goals
Development of the aircraft fleet for Aurora Airlines JSC	Purchase of three Dash-8 (Q400) aircraft for additional flights
Infrastructure development for Aurora Airlines JSC	Capital investments in ground service infrastructure, fixed assets and navigation

	equipment
Direct carriage between Moscow and destinations of the Far Eastern Federal District based on flat rates	Increase in the aircraft fleet involved in the implementation of the program by 1,597 seats.
Subsidies for air carriage of passengers from the Far East	Allocation of RUB 1.2 bn for execution of air carriage on Far Eastern routes

Source: Compiled by the authors based on the analysis of the Report on Implementation of the Long-term Development Program of Aeroflot Group and achievement of key performance indicators for 2016.

The PJSC Gazprom investment program differs significantly from the investment programs of other natural monopolies. As a mining company, PJSC Gazprom is forced to constantly develop new fields; otherwise, it would constantly face production decline and deterioration of the company's key performance indicators (Ahrend and Tompson, 2005). The company's investment program for 2018 provides for a total invested capital of more than RUB 1.2 tn (Table 6). Of these, provision is made to allocate RUB 798.4 bn for the implementation of capital construction projects and RUB 40.9 bn for the acquisition of non-current assets. At the same time, the total volume of long-term investments will make RUB 439.4 bn. The planned volume of investments will be covered in part by borrowing, but mainly the company will direct funds received from the turnover to the development.

Table 6. *List of the Gazprom PJSC investment projects planned to be implemented in 2018*

Project nature	List of projects
Mineral assets	Yamal megaproject, Bovanenkovo gas field, Eastern Gas Program, Kovykta field, Kamchatka, Vladivistok LNG, Baltic LNG, Sakhalin-2, Sakhalin-3
Gas pipelines	Nord Stream-2, Power of Siberia, Turkish Stream

Source: Compiled by the authors based on the analysis of the Gazprom PJSC Investment Program for 2018.

As can be seen, this company simultaneously has a very large list of facilities at the implementation stage. In addition, Gazprom PJSC constantly invests in the maintenance of the existing gas pipelines and appropriate infrastructure (Andrade, 2014). The investment programs of Gazprom PJSC are additionally important, as during their implementation priority is given to attracting domestic producers and contractors, as well as to hiring workers in the region where the project is being implemented. It is necessary to point out separately the responsible attitude of the company to social obligations, regarding procedures for environmental protection and mitigation of man-made impact consequences. The policy of Gazprom PJSC is aimed at giving preference to such an option of the investment strategy implementation, of all possible ones, which will cause the least damage to the environment. The company also invests heavily in the restoration of the territory

after the closure of the abandoned fields. Investments carried out by Transneft PJSC have their own specifics: almost all of the company's investments are allocated to the development of the oil trunk pipeline network. For 2018, it is planned to implement projects with a total cost of RUB 74.9 bn. (Table 7).

Table 7. *Components of the Transneft PJSC Investment Program for 2018*

Project	Goals
Zapolyarye-Purpe-Samotlor Pipeline	Admitting new fields of the Yamalo-Nenets Autonomous District to the pipeline system and transferring their oil to the central regions of the country (32 mn tons/year)
Kuyumba-Taishet Oil Pipeline	Ensuring the receipt of oil from the fields of the Krasnoyarsk Territory (15 mn tons/year)
"Eastern Siberia – Pacific Ocean" Pipeline	Providing transportation of Russian oil from East Siberian fields to the Asia-Pacific region (30 mn tons/year)
"South" Project	Supplying diesel fuel from the refineries of the Krasnodar Territory to the interior areas of the country (700 km of pipelines, 5 pumping stations)
"North" Project	Increasing the supplies of petroleum products to the port of Primorsk (8.5 mn tons/year)
Moscow Region Pipelines	Increasing the transportation of light oil products to the metropolitan region (increase in discharge capacity up to 330 thous. m ³ /year)
Caspian Pipeline Consortium	Creating one of the largest pipeline systems, which should connect the prospective Caspian fields with the Black Sea ports (67 mn tons/year)

Source: *Compiled by the authors based on the Transneft PJSC Investment Program for 2018.*

As can be seen from the data, at this stage the significance of Transneft PJSC investment projects consists in allocating its fixed assets to create branches of oil trunk pipelines that either have to connect new fields to the main network or connect new shipping terminals to it. That is, such investment projects have an extremely positive impact on the regional development in general. The investment program of Russian Railways OJSC differs from similar documents of other natural monopolies in that it assumes planning for an essentially longer period. In general, the planning horizon in RZhD is much larger than in other natural monopolies. Thus, the company's entire project activity is carried out taking into account the approved strategy for the railway transport development in the Russian Federation until 2030.

The major efforts within the framework of the Russian Railways OJSC investment program are aimed at renewal of the railroad car fleet and modernization of the traction service, that is, the constant purchase of new locomotives. Also, substantial funds are provided for the needs of expanding the railway transport infrastructure.

Russian Railways OJSC is important for regional development in several aspects. The main and most obvious aspect is that railways remain an important employer. In addition, rail transport is (and will remain) the main type of freight transport within the country. Therefore, for each major settlement, connection to the railway network is crucial, especially if it is intended to develop industrial facilities in this locality.

As can be seen from the data, the significance of investment projects of Transneft PJSC at this stage is that its fixed assets are aimed at creating branches of main oil pipelines that either have to connect new fields to the main network or connect new shipping terminals to it. That is, such investment projects have an extremely positive impact on regional development in general. The investment program of Russian Railways OJSC differs from other similar documents of other natural monopolies in that it assumes planning for an essentially long period. In general, the planning horizon in RZD is much larger than in other natural monopolies. Thus, the entire project activity of the company is carried out taking into account the approved strategy for the development of jelly railway transport in the Russian Federation until 2030.

The main efforts within the framework of the investment program of Russian Railways OJSC are aimed at renewal of the railroad car fleet and modernization of the traction service – that is, the constant purchase of new locomotives. Also, substantial funds are provided for the needs of expanding the infrastructure of the railway transport. For regional development, JSC Russian Railways is important in several aspects. The main and most obvious one is that railways remain an important employer. In addition, rail transport is (and will remain) the main type of freight transport within the country. Therefore, for each major settlement, connection to the railway network is crucial, especially if it is intended to develop industrial facilities in this locality.

At this stage, the railway network is quite developed, and almost all major cities have a link to the trunk railway lines. However, there is a problem of railway communication with remote territories (which simply does not exist), as well as the existence of "bottlenecks" (trunk sections causing significant reduction in their discharge capacity).

5. Conclusion

As a result of the study, the hypothesis was confirmed about the possibility of considering investment programs of natural monopolies as an element of state strategic planning. When drawing up investment programs for natural monopolies and regional development plans, it is important to coordinate all these plans among themselves, to reconcile state strategic planning with regional development programs, and those with the development programs for natural monopolies, which will enable to achieve synergy effect. At the moment, the issue of coordinating efforts and resources, which are already being allocated to support regional projects,

has come into view. There is a risk that efforts undertaken by different parties will duplicate each other, while many problematic issues will be left unaddressed.

In this respect natural monopolies perform several functions at once. First, they are interested in the sustainable and qualitative growth of regional economies. Secondly, owing to the scale of their activities the natural monopolies perceive most acutely the problems of socioeconomic development of the territories. Third, natural monopolies are already implementing large-scale investment programs with allocated substantial resources; therefore, they can already be involved in stimulating regional development. However, as practice shows, more than 50% of all investment projects fail in one form or another – the projects either do not bring the expected results (fail to achieve the established performance targets), or stay incomplete.

Understanding the importance of this route forward, the Russian Government repeatedly took measures to improve the legislative regulation of investment activities of natural monopolies. In 2014, the Ministry of Economic Development of the Russian Federation, in cooperation with the Federal Center for Project Finance, developed methodological recommendations for the implementation of investment projects for the regions and a corresponding standard (RF MED, 2014). Russia needs a law to ensure control over the implementation of investment projects (including their price and technological audit), as there are still a number of problems in this area. Thus, the analysis of the documents of strategic planning of the territorial entities of the Russian Federation showed that there are certain discrepancies between the federal and regional development strategies, which, in particular, is facilitated by an uncoordinated mechanism for the formation and subsequent adjustment of strategic plans. In the end, this leads to disruptions in the timing of project implementation, violation of financial discipline, ineffective resource management, etc. It can be noted that at the moment there are virtually no incentives for developing real long-term development strategies for the regions. In fact, there is no operational feedback – change in the needs of regional development is not soon reflected in federal programs.

To improve this situation, it is necessary to amend the legislation regulating the processes of strategic planning at the regional and federal levels aimed at optimizing the state planning system, as well as encouraging private sector participation in regional investments.

The current legislation provides for the creation of a public control system over the activities of natural monopolies in the regions. However, in practice, in terms of monitoring the progress of investment projects, this system does not actually work. Obviously, the task of improving the methodology for managing investment projects in the context of ensuring regional development is becoming particularly relevant. Constant assessment of the current state of the project relative to the planned state (monitoring), as well as the search and elimination of sources of emerging problems

is the key process of managing the implementation of natural monopolies' investment projects on the part of the region.

Currently, 8 federal and 63 regional public councils have been created, with participation of which the investment programs and projects of state companies are considered and approved (RZhD, Rosmorport, Gazprom, Rosseti, Transneft, Russian Post, Rostelecom). If this experience proves to be positive, it should be extended to all investment programs of all actors of natural monopolies, regardless of the degree of state participation, as well as their largest subsidiaries and dependent companies. At the same time, the issues of expertise and coordination of regional investment projects, issues of regional tariff regulation (taking into account protection of interests of consumers and businesses), and issues of control over the effectiveness of investment programs in the regions should be attributed to the scope of competence of such councils, among other things.

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