

BARRIERS IN REGIONAL DEVELOPMENT IN RUSSIA

*Andrey Shelomentsev**, *Svetlana Doroshenko*, *Olga Kozlova***,
*Zhanna Mingaleva****

Abstract: *The research objective was the estimation of barriers in social and economic development for regions of the Russian Federation based on the analysis of three federal districts: Ural, Siberia and Far East.*

Data of the dynamics analysis over a period 2009-2014 show uneven socio-economic development of the RF regions that are parts of these megaregions. Unevenness of the regional development, infirmity in dynamics of the economic growth and keeping the negative sociodemographic trends are indicative of internal and external contradictions caused by the barriers of one sort or another. Selection of strategic orientation for these megaregions development should be based not only on their potential assessment, but also on the assessment of wide range of barriers.

Keywords: *barriers in development, regional development, modernization of the regional economies.*

1. INTRODUCTION

Processes taking place in regional socio-economic systems and showing of different barriers connected therewith are under-researched now. This is coming from quite recent resorting to them, methodical complexity of estimation and mechanisms for barriers overcoming, as well as from ambiguity of the “barriers in development” definition. This circumstance determined the relevance of the proposed research.

In economic literature, the notion of “barriers” is traditionally used in the context of analysis of factors hampering the entrepreneurial development and arising from excessive state regulation measures. These phenomena are

* Financial University under the Government of the Russian Federation, Ufa branch, ul. Mustai Karim 69/1, Ufa, 450015, Russia

** Institute of Economics, Ural Branch of the Russian Academy of Sciences, 29, Moskovskaya st., Yekaterinburg, 620014, Russia

*** Perm National Research Polytechnic University, 29, Komsomolsky Av., Perm, 614000, Russia
Perm State National Research University, 15, Bukireva street, Perm, 614990, Russia

called “administrative barriers” and “bureaucratic barriers”, which largely inhibit entrepreneurial initiative, violate conditions of economic freedom, fair competition and contribute to the emergence of corruption (Makris, 2009; Markoff, 2012; Peltzman, 1976; Niskanen, 1971; Weishaar, 2011; Zheng, 2000).

Analysis of social and economic processes makes it possible to speak about the barriers in regional development. We are of the opinion that barriers in regional development tend to be of a structural nature, reflecting: first, it takes a long time to correlate major regional economy sectors; second, performance efficiency of executive and legislative bodies of the three federal districts; third, effectiveness of the federal regional policy. In this regard, it makes most sense to consider the barriers in regional development in the context of the strategic management on the basis of long-term programs and strategies, which define goals, objectives and priorities for regional development.

Thus, the term “barrier” in the context of socio-economic development at micro-, meso- and macroeconomic levels is treated broadly. For this reason, its scope is considered by the authors of this article as corresponding to the theory of sustainable development of socio-economic systems.

2. THEORETICAL AND METHODOLOGICAL BACKGROUND

2.1 Notion of barriers in development

The phenomenon of the “barriers in development” can be viewed from different points. First, in the context of regions’ fair competition for private and public resources; second, for purposes to create the national policy of regional development; and third, for purposes of identifying the specific factors of socio-economic growth. The list of noted approaches can be extended, however, in all their methodological diversity we can distinguish three main directions in theoretical studies, characterized by different definitions of regional development sources.

At the heart of the first direction is the position that regional development is predominantly of “compulsory nature” and that it requires permanent efforts on the part of the government through modernization of the relevant institutions, or through attracting of external funds based on extensive use of government interventions, etc.

Within this direction “barriers” are considered as factors of regional development. In this context, the term “barriers in development” is often used in its different variants, “the barriers in spatial development”, “barriers

in economic development”, “barriers in innovative development”, etc. (Bialic-Davendra, *et al.*, 2016; Trauth, and Erickson, 2011).

As an example of the second direction, the regional competition theory can be named. The barriers analysis is performed there in the context of inter-relationships, namely competition between the regions. In terms of this theory, the barriers may prevent compliance with the conditions of fair competition, creating advantages, or, on the contrary, prejudicing the rights of certain territories groundlessly. As such, the role of the state here is formation and subsequent maintenance of a competitive environment. Thus, the barriers must perform the regulatory function aimed at leveling the socio-economic development of regions as well.

Within the regional competition theory, the term “barrier” is usually used in contrast with the “advantages” (e.g., “competitive advantages”). Regional development barriers create the conditions for cross-region interaction or interaction with the federal center.

And finally, the third direction is based on the theory of self-development, where the region is a complex socio-economic system, possessing immanent self-development and self-regulation properties. Among other things, some endogenous and exogenous factors can be defined as barriers preventing sustainable socio-economic development of regions.

Within this concept, the regional development is often associated with the development of entrepreneurship; bearing this in mind we can conclude that barriers in attracting investments create barriers in social and economic development of regions. Thus “it is necessary to identify the barriers, foreign investors that start business in the Russian regions faced with. These barriers tend to hinder Russian regions from bringing out their full investment potential” (Privlecheniye pryamykh investitsiy v regiony Rossii, 2010). In terms of content, as being the main, “market entry and exit barriers”, “administrative barriers”, “discriminatory rules”, “logistic”, “tax”, “criminal”, “institutional”, “transport” and others barriers are called. For example, some researchers distinguish barriers in innovative development which include the lack of important elements of the innovative system, and the connections between them; freeze of the regions development, subjectlessness of innovative development control system (Ivanova and Shishaev, 2014).

2.2 The Method of research

The regions of the three federal districts, namely Ural, Siberia and Far East, were chosen as the “testing sites” which corresponded to strategic priorities

of the national economy spatial development and possessed an extremely high potential for sustainable development due to strategic geopolitical location, availability of various natural resources and skilled labor. Each type of barrier was described with the relevant indicators, which were determined according to the official statistics (Rosstat). To assess the importance of each indicator within analyzed barriers, hierarchy analysis technique was used. This allows determining the weight of each element by means of hierarchical tasks decomposition and alternative solutions rating (Saaty,1993).

In order to consolidate the different-scale figures in the integral index the linear scaling method was used. This method is based on the determination of reference points characterizing location of the real indicator value.

The rating has been used as a method of barriers assessment.

3. RESULTS AND DISCUSSIONS

3.1. Typology of barriers in development

Within the performed research, depending on the nature of the occurrence, the authors suggest the following typology of the main types of regional development barriers:

- *economic and geographical*, conditioned by the degree of economic development, climate and environmental conditions;
- *economic*, determined by the scale of existing resources involvement in the economic activities;
- *investment*, reflecting the investment attractiveness level of the territory;
- *financial*, related to fiscal capacity of the region, especially with regard to discharge of expenditure obligations and powers established by the legislation;
- *infrastructural*, depending on the level of transport and power engineering facilities development;
- *social*, associated with conditions and quality of local people's life;
- *demographic*, determined by the population dynamics, gender-/age structure and migratory behavior;
- *institutional*, expressing the effectiveness of the authorities and the quality of public services;
- *labor*, depending on region supply of labor resources and conditions;

- *ecological*, characterized by the level of man-caused environmental damage;
- *production and technologic*, depending on commercially viable manufacturing complex;
- *entrepreneurial*, characterizing business climate in the territory.

The structure of the analyzed barriers was formed according to the following principal items. First, they should relate to the strategic goals which the social and economic development of analyzed regions is focused on. Second, the barriers should reflect the main trends of current social, economic and institutional changes. At the same time the number of these factors significantly increased including institutional, demographic, social cultural, infrastructural barriers, etc. In this regard the concept for modernization of the national economies may be called the most typical (Wallerstein, 2001; De Soto, 2001; Kurbatova, 1999; Douglass, 1997; Mingaleva, 2012). In this case, according to Levin (2010), overcoming of such barriers becomes possible with the effective use of the selective and nonselective strategies in industrial policy by the state, in combination with measures for market infrastructure creation and gradual economic decentralization. Zubarevich (2012) also considers the barriers as factors and analyzes them in the context of spatial development of Russia. According to her, the impact of these factors differentiates the Russian economic space that allows allocating “leaders”, that is, regions holding “middle position” and underdeveloped regions. Hence the author concludes that the priorities of the spatial policy should be “based on the competitive advantages of the regions, strengthening their impact and reducing the barriers in development”.

3.2. Assessment of barriers in development

According to analysis and practice generalization, the measurement of existing barriers in development can be executed with a help of the following methods:

comparison in dynamic pattern of one indicator, singled out as the main one (Lapidus, 2003);

comparison in several indicators, singled out as top-priority for socio-economic development of the region (Kozlova, 2008);

construction of summary socio-economic indicators system (Metodika kompleksnoy otsenki urovnya sotsialno-ekonomicheskogo razvitiya suyektov Rossiyskoy Federatsii, n.d.);

construction of rating assessments of the regional development (Reyting sotsialno-ekonomicheskogo polozheniya subyektov, 2014).

The authors consider that measurement of the regional development barriers should be based on the comparative rather than absolute assessments, because all the regions form a single economic and legal space of Russia, where they have common historical roots, traditions, social and economic ties. Hence, rating has been used as a method to assess of barriers.

All Russian regional metropolises are currently characterized by severe economic and institutional barriers for further territorial development. The regional area of a metropolis is “expanding” eventually, in equal measure becoming a “multilayered” and still fragmented (due to the multi-level centers, social stratification and existing administrative barriers).

The ranking results of the Ural, Siberian and the Far Eastern districts are presented in Table 1.

Table 1.
Rating on the level of barriers in development (UFD, SFD and FEFD districts)

Regions of Russia	Types of barriers												
	Economic and geographical	Infrastructure	Demographic	Economic	Investment	Financial	Institutional	Labor	Social	Production and technologic	Entrepreneurial	Ecological	
1	2	3	4	5	6	7	8	9	10	11	12	13	
Ural Federal District													
Kurgan Region	11	3	25	19	25	22	25	20	23	27	14	7	
Sverdlovsk Region	4	6	5	2	16	4	20	13	8	23	2	24	
Tyumen Region	9	18	4	1	3	3	3	4	5	25	16	11	
Khanty-Mansi Autonomous national area – Yugra	5	21	15	3	2	1	11	3	2	26	18	26	
Yamalo-Nenets Autonomous national area	13	23	1	12	1	2	1	8	1	24	19	23	
Chelyabinsk Region	1	4	6	5	22	9	8	16	13	20	13	21	

Table 1 contd...

Siberian Federal District												
The Altai Republic	22	11	13	26	23	26	18	24	26	3	19	1
The Republic of Buryatia	21	23	19	20	24	23	17	25	17	5	21	10
The Tyva Republic	24	19	26	23	26	27	15	23	27	13	26	2
The Republic of Khakassia	12	9	11	21	17	14	13	26	24	7	24	9
Altai Territory	10	1	16	9	27	20	24	18	25	15	4	17
Zabaykalsky Territory	20	12	22	17	21	18	16	19	20	10	23	13
Krasnoyarsk Territory	19	20	7	4	9	6	22	9	12	14	6	27
Irkutsk Region	16	14	17	8	18	5	10	21	22	12	7	22
Kemerovo Region	2	2	14	6	15	8	2	27	19	18	9	25
Novosibirsk Region	7	7	2	7	19	10	21	5	11	17	1	18
Omsk Region	8	5	12	10	20	15	26	22	16	16	8	19
Tomsk Region	14	16	3	15	13	7	19	14	21	22	12	20
Far Eastern Federal District												
The Sakha (Yakutia) Republic	26	26	23	16	6	19	14	17	9	11	22	15
Kamchatka Territory	23	25	8	22	12	25	9	6	7	9	10	6
Primorsky Territory	6	8	10	11	14	13	12	11	15	2	11	18
Khabarovsk Territory	18	22	9	14	10	12	6	2	10	8	3	12
Amur Region	17	13	20	18	11	17	7	12	14	4	20	14
Magadan Region	25	24	27	24	7	21	5	1	6	21	15	5
Sakhalin Region	3	17	18	13	4	11	27	7	3	6	5	8
Jewish Autonomous national area	15	10	24	25	8	24	23	15	18	1	17	4
Chukotka Autonomous Circuit	27	27	21	27	5	16	4	10	4	19	27	3

The analysis of the information in Table 1 demonstrates that Sverdlovsk, Chelyabinsk and Tyumen Region (including its autonomous regions) in Ural Federal District, Kemerovo and Novosibirsk Region, Krasnoyarsk Territory in Siberian Federal District, Primorsky and Khabarovsk Territory and Sakhalin Region in Far Eastern Federal District are regions where a relatively low level of barriers prevails; whereas in contrast, Kurgan Region in UFD, Tyva and Altai Republics and Republic of Buryatia in SFD, Sakha (Yakutia) Republic, Jewish Autonomous national area and Chukotka Autonomous national area in FEFD are regions where high barriers dominate (Shelomentsev et al., 2014).

4. CONCLUSION

The assessment of barriers in regional development leads to the following conclusions.

First, there is an interconnection between the character, level and concentration of barriers, on the one hand, and between the dynamics and the quality of socio-economic development of the Ural, Siberian and Far Eastern regions, on the other.

Second, the level of barriers in a particular area usually manifests itself in the scale and nature of development dampening effect. Thus, the high level of ecological barriers prevents further increase of the economic potential at the same technological basis. This is most pronounced in the regions with developed extractive sector (Khanty-Mansi Autonomous Circuit – Yugra, Yamalo-Nenets Autonomous Circuit, Sverdlovsk, Chelyabinsk, Kemerovo Regions, Krasnoyarsk Territory).

Third, the regions with advantageous economic and geographical location, with high industrial potential and skilled labor may have little dynamic potential, associated with existence of barriers, institutional and investment ones first of all. It is referred to Kurgan Region in UFD and to Omsk Region in SFD.

Fourth, the impact of demographic, social and labor barriers is of a latent long-term and multi-faceted nature. As shown in the quoted rating, most Siberian and Far Eastern regions have high barriers in demographic, social and labor development. In the future, it will be a significant obstacle to economic growth even with high levels of investment.

Finally, the institutional barriers recognition becomes the crucial aspect in preparing the overall picture of limitations of regional development. The analysis revealed that, generally, the level of institutional barriers indicates loose correlation of regional policy to the real needs of socio-economic development of regions. This is especially evident in regions where institutional barriers are low, but other barriers significantly limit regional development. Primarily, Kemerovo and Magadan Region, Kamchatka Territory and Chukotka Autonomous national area fall into this category.

Thus, the research confirms the existence of a close connection between the dynamics of socio-economic development of regions and the level of barriers mentioned above. The dependence on barriers, as an essential factor for the competitiveness of the regions, affects all their areas. Continuous and purposeful work of regional authorities and creating institutional conditions for the full realization of economic and social potential of the territory is very important for expanding opportunities for development and reducing barriers.

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