Boosting a Region’s Investment Attractiveness Via the Use of Information-Communications Tools for Regional Public Administration

Olga Vladimirovna Glinkina, Tatyana Mikhailovna Regent, Anna Vladimirovna Maslennikova, Marina Mikhailovna Novikova and Ekaterina Nikolaevna Sokolova

Russian New University, 22 Radio St., Moscow, 105005, Russia

Abstract

This paper examines the role of electronic government in boosting a region’s investment attractiveness, the Russian practice of implementing electronic government at the regional level, its significance for various types of investors and regions, and the role of information-communications tools in the implementation of regional policy. The authors analyze a set of issues related to the formation of some of the key aspects that characterize the concept of investment climate and provide an insight into the concept of investment risk. The research reported in this paper has helped identify the potential offered by information cooperation between the state and the business sector, which may be referred to as G2B (“government-to-business”). Special attention is devoted to fostering the practice of prompt provision of information used by commercial organizations. The authors draw the conclusion that it is the timeliness of obtaining information that creates the conditions necessary for the successful development of a region’s business environment and boosts its investment attractiveness. The paper finishes off with a set of conclusions on the focus areas where there have already been achieved positive results in terms of informatization of public authorities.

Keywords: e-government, information-communications tools, investment attractiveness, investment risks.

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1. INTRODUCTION

A region’s socio-economic well-being is determined by multiple factors, including level of development of the business sector, infrastructure, R&D activity, employment rate, size of the tax base, prices in the region, and amount of focus on carrying out regional social and investment programs. These factors are directly interdependent with the region’s investment attractiveness. As a consequence, there arises a cumulative effect. Therefore, a process that is strategically important for the region is cultivating a robust investment climate.

Expert RA defines the term as follows: “The investment climate incorporates a country’s (or a region’s) objective potential (investment potential) and conditions for investors’ activity (investment risks)” [1]. Investment risks are more dynamic, so influence on the investment climate may, above all, be exerted through varying these risks.

The investment climate is a composite of various aspects, some of which it is impossible to change (e.g., geographic factors, size of the market, and consumer preferences), while others, by contrast, are subject to dynamic changes. One of these factors is the state’s or region’s policy, which defines most areas for future investing. One of the key tools of government policy is the development of the electronic government system (hereinafter “e-government”), including at the regional level.

2. METHODS

In writing this paper, the authors employed a systemic approach and methods of statistical and economic analysis.

3. RESULTS

3.1. Preconditions for the formation of investor demand for e-government services

A key component of government policy is an orientation toward information openness or closedness in a region. In the view of T. Stonier, “Wealth is created when, as a result of employing information, new or old, non-resources are turned into resources. Information is always and everywhere a primary factor” [2]. To note, T. Stonier was the first scholar to suggest that information is a crucial strategic resource, which is compared in significance only to material resources.

Regional businesses and potential investors are always in need of relevant and timely information on the region as a whole and on the mechanics of administration of entrepreneurial activity on the part of regional authorities in particular. Most businesses, regardless of how big they are, are sure to be oriented, in planning their activity, toward the mid- and long-run. This is associated with the fact that businesses have an established payoff timeframe for projects (innovation-focused or investment) and are obligated to return an investment some time later on, which requires that they duly plan their policy across a variety of areas, including investment, finances, production, and human resources.

A favorable environment needed for the proper operation of businesses could be built through the use of a well-defined system of planning out the prospective areas of focus for development in the region, concretization of the status of real estate properties and land plots alike, provision of data on the region’s labor resources as correlated with plans for implementing specific projects, as well as provision of information on relevant areas for development in the region envisaged by targeted programs (federal and regional). Attracting investment requires not just improving on certain focus areas in the region but also providing
business entities and potential investors with correct and relevant information that is as complete as possible and reflects the existing and expected (or projected) condition of the regional environment, which, consequently, should help them minimize investment risk [3]. With that said, as socio-economic systems, most of today’s regional-level territorial systems are essentially poorly structured, which, accordingly, may create limitations in access to information that a potential investor may need in making decisions.

The e-government system helps organize and structure information on regions and enable information interaction between the government and businesses (G2B, or “government-to-business”).

3.2. Potential offered by the G2B segment of e-government

The formal availability of key elements of e-government is a criterion of an exclusively technical nature. However, in the context of the development of a region’s investment climate, there is a need for a shift from the technocratic (or architectural) approach to implementing e-government, which is focused on technology, to government information management, characterized by an understanding of a state (or a region) as a corporation [4].

The above approach implies drawing actively upon the experience of implementing information-communications technology (ICT) at commercial companies and, as a consequence, reengineering one’s own business processes. Today, there is greater significance attached to the effectiveness criterion and greater relevance in the process of transformation of internal and external relationships within a governmental organization, with an increasingly greater role played in daily work by information and knowledge. On the whole, resources in e-government, developed in the image of a corporation, must meet the need for information openness and serve as tools for boosting the effectiveness of activity by authorities and their interaction with investors and entrepreneurs.

A definite benefit of employing ICT in regional public administration for organizations is prompt provision of information. Time is a crucial factor for a business, so providing online services and having in place a quality information system to help reduce business costs (e.g., via electronic document flow, “one window” service, and provision of hard-to-find information at regional portals) may facilitate the process of attracting investment into the country (region).

The around-the-clock operation of e-government enables interacting with potential investors who are in different time zones. The use of ICT in regional public administration helps save time not only when searching for investment projects but implementing them as well [5]. Regular updates to information on e-government portals helps organizations keep track of statistical and economic data. What makes this service particularly crucial is that, by getting credible information on time, entrepreneurs and investors have the opportunity to prepare for changes in the environment in advance and react to them with minimum costs afterwards.

The availability of relevant information may help boost a region’s investment attractiveness, so the effective operation of e-government resources is particularly crucial for regions with a low level of investment attractiveness. The ability to foresee the emergence of a crisis situation in an enterprise or a region, founded on obtaining information on time, is a key factor for reduced investment risks. By reacting to it in a timely manner, i.e. studying and analyzing relevant information, an organization will be able to take the appropriate steps to counter all emerging threats and risks and minimize them. The potential offered by ICT in regional public administration enables entrepreneurs and potential investors to foresee and analyze (as well as model) possible changes in investment risk based on information they can obtain [6].
Thus, fostering a favorable investment climate in a region is linked directly to the quality and promptness of provision of information and services from regional authorities. Implementing e-government should help reduce costs (financial, labor, and temporal) associated with public administration at the national and regional levels, boost transparency, and reduce the burdens of red-tape on businesses.

4. DISCUSSION

4.1. Russian practice of implementing information-communications tools for regional public administration

A key information tool for regional public administration in Russia is the nation’s Internet portal for regional authorities, which provides information on a region’s overall socio-economic condition. The nation’s front-rank Internet portals also provide information on expected and in-progress investment projects, information related to the regional regulatory and tax frameworks, and other information that is important for investors. A key tool for the provision of online services at the regional level is the nation’s single portal for government and municipal services (functions). The Internet portal for regional authorities and the single portal for government and municipal services are often integrated.

There are also in place multifunctional centers for government and municipal services, which operate based on the “one window” principle. Their operation is grounded in interdepartmental electronic document flow.

However, the e-government system, which is intended for interaction with businesses at the regional level, incorporates not only official websites for regions, government service portals, and multifunctional centers but a number of specialized portals as well.

Since large investors possess sufficient resources to be able to deal with a lack of information, among the more interested in the use of government Internet resources are small and medium-sized businesses, which oftentimes do not have much experience in entrepreneurial activity and do not possess considerable financial resources. In this context, special significance is taken on by the need to create special information systems that will provide support for small and medium-sized businesses [7].

The federal portal for small and medium-sized businesses provides information on the creation, development, and closure of a business (including specific recommendations on registering a business, attracting funding for its development, siting it, connecting it to infrastructure, running its accounting, handling the taxes, etc.). There are similar regional websites which offer additional information on various forms and types of support from regional authorities for small and medium-sized businesses, infrastructural support (e.g., info on existing foundations for the support of small businesses, business incubators, and various consulting/information centers focused on facilitating the development of entrepreneurship), and methodological support and access to document forms, online training, and consulting services.

There is currently in place a federal portal for government procurement which provides information on orders placed. It also provides information with regard to each individual region. This kind of information system was created for the purpose of ensuring the transparency of procurement procedures and combating corruption. In accordance with Federal Law No. 94-FZ ‘On Placing Orders for Goods, Works, and Services for State and Municipal Needs’ of July 21, 2005, official websites run by Russia’s constituent regions and particular units of regional authorities can be used as additional sources for disseminating information and notifying one regarding orders placed, with that information essentially being the same as
official information placed on the federal procurement portal (http://smb.gov.ru/). A special role in combating corruption is played by the e-commerce system, the level of development whereof varies considerably across regions.

Information for investors and property developers, including the latest information on rental housing, is provided within the framework of the urban planning management information system and the urban land and property management system. These systems are employed at the municipal level, although the regional authority websites may provide links to relevant municipal information resources as well. Thus, the effectiveness of regional e-government can also be assessed based on the availability of that kind of information as adjusted for its availability at the level of local self-governing authorities.

Of special significance for investors is currently the development of investment websites for regions, which is relatively new in Russia. These websites are created in accordance with a regional investment standard developed and adopted by the Agency for Strategic Initiatives (ASI), a nonprofit organization, to promote new innovative socially significant projects [8].

This standard is a key ASI project aimed at creating a favorable environment for the development of the business sector in regions. Thus, a region’s investment website is intended to enable investors to receive the latest (including forecast) information they need, help them save time when doing an initial search for relevant facilities and regions to invest in, and assist them in developing a suitable strategy on behavior in the regional market. However, due to its novelty, the project on investment websites for regions appears to be the least developed among the above-mentioned resources.

Boosts in the efficient operation of all information resources may be provided by the two-way communication system (forums, online discussion resources, and electronic front desks), which enables regional authorities to engage in two-way information exchange and determine the latest needs of stakeholders, ensures the involvement of organizations with the activity of government authorities, and enables anyone to obtain answers to their questions and put forward relevant proposals.

Russian lawyer A.V. Slepov has identified the following factors for the acceleration and simplification of business processes as part of implementing the e-government concept: the use of government services through government service portals, participation in the government procurement system through relevant websites, and receipt of information support for the business [9].

Multifunctional centers operating based on the “one window” principle can save investors and entrepreneurs time when using a service. In addition, the emergence of the two-way system of communication as a separate area has made it possible for organizations to be involved with the activity of regional authorities, and, as a result, has enabled making regional decisions based on a better idea of target audiences. The direct effects include a focus on combating corruption, fewer administrative barriers, and an improved transportation situation.

With that said, Russian trends related to the development of e-government differ from global ones in the sense that transactional cooperation there emerged at almost the same time as, and even earlier than, interactive cooperation, which is illustrated in Table 1.
Table 1 Correlation between the Outcomes from the Implementation of E-Government in Russia and the Stages Recognized Internationally

<table>
<thead>
<tr>
<th>Information presence</th>
<th>Interactive cooperation</th>
<th>Transactional cooperation</th>
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<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>information support for the operation of a business</td>
<td>provision of government services based on the “one window” principle</td>
<td>organization of government procurement in the electronic system</td>
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<tr>
<td></td>
<td>provision of government services through government service portals</td>
<td>making decisions based on a clearer idea of the latest demand and the current needs of investors and entrepreneurs</td>
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</table>

4.2. Outcomes of the development of e-government within the context of boosting regions’ investment attractiveness

There are three major areas in which there have been achieved positive results with respect to informatization of regional authorities:

1) Public placement of information on a region and its policy – this enables investors and entrepreneurs to obtain in a timely manner relevant and objective information that they need to make managerial decisions, which helps save time and money;

2) faster interaction with regional authorities, if they already have in place efficient information systems that enable fast work with information for the purposes of searching for and obtaining objective information; it also enables the timely processing and preparation of documentation needed to conduct business;

3) Provision of open access to relevant information, which is crucial to forging a transparent relationship with the regional authorities and may help minimize the number of “administrative barriers” and root out corruption.

The degree of preparedness of entrepreneurs and investors to use ICT in regional public administration is quite high, as these groups are, normally, among the keenest on and most open to innovation, including the use of ICT [10].

4.3. Degree of sensitiveness of different groups of investors to the quality of electronic services provided by regional authorities

In measuring the degree of “sensitiveness” of different groups of investors to how open a region is, it may be possible to single out the following categories of investors:

1. resource-extracting companies;
2. processing companies;
3. other industrial companies;
4. companies engaged in the development of high technology;
5. companies working in the tertiary sector;
6. companies working in the agricultural sector.

In the above list, investors are arranged in ascending order based on degree of sensitiveness. Resource-extracting companies are, above all, oriented toward the resource factor, with the rest of the factors playing an insignificant role to them. For processing companies, a key consideration, depending on the sector, is both proximity to a source of raw materials and a set of other factors [11].

The last four categories of investors are known to prioritize a region’s openness and a set of factors that may influence investment risks.

Thus, the use of ICT in regional public administration to ensure interaction with investors may contribute to the development of regional economies not even in the context of a shift to a post-industrial “information society” but in the context of freeing the economy of Russia’s regions from dependence on the “resource needle” as a whole.

4.4. The role of e-government in regional policy and its influence on regional disproportions

When it comes to regional policy, of relevance today is the issue of “digital gaps” among regions, i.e. gaps in the development of ICT. Evidence from international and Russian practice indicates that the gaps in ICT among regions are several times greater than those in traditional socio-economic indicators, which in light of the development of the G2B (“government-to-business”) component of e-government may result in an increasingly disproportionate infusion of investment into regional economies. However, the authors are inclined to believe that regional development is not, actually, faced with that kind of threat, and here is why:

1) Regional public administration is a sector which holds the greatest potential for implementation of ICT projects in accordance with relevant standards (provided that these standards are in place), as it is regulated “from above”. The use of effectively developed standards will help reduce the gaps in the above area.

2) The same trend in developed countries indicates that growth in digital gaps is, normally, followed by a process of reduction in them at later stages in the development of ICT. This is already the case with the use of the Internet in developed countries and the use of cellular phones in Russia.

3) The use of ICT in regional public administration is just one of the many factors in the development of a region’s investment climate, of decisive significance being an aggregate of these factors.

But we should not overlook its significance, as organizing the process of attracting investment in an efficient manner requires a proper focus on each factor involved.

In addition, in today’s climate of the rapid development of ICT around the world, a website run for a region is seen as its “face”, so having one is increasingly important these days.

5. CONCLUSION

Amid the development of post-industrial society, factors like information openness in regions, simplified bureaucratic procedures, and simplified interaction with regional authorities are taking on added significance for investors and entrepreneurs. These issues could be resolved via the implementation of ICT in the area of regional public administration, i.e. the development of the G2B (government-to-business) segment of e-government.

Boosts in investment attractiveness via the use of ICT tools are mainly associated with achievements in the area of minimizing all kinds of investment risk. As part of a government directive, all of Russia’s regions are currently engaged in the development of the e-government
system – yet, there are major interregional differences in the tools employed. A cutting-edge process is the development of investment-related websites in regions.

The use of state-of-the-art ICT in the area of regional public administration is of major significance, in the context of boosts in investment attractiveness, for non-resource regions. Provided that the government puts in place a set of appropriate standards for implementation ICT tools in order to ensure boosts in regions’ investment attractiveness, e-government may help minimize regional disproportions and drive development in regions that are currently lagging behind.

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