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**EFFICIENCY OF ROSREESTR AS A FACTOR
IN INCREASING RUSSIA'S INVESTMENT ATTRACTIVENESS**

Drdo. Natalya Yu. Ulitskaya

Penza State University of Architecture and Construction, Russian Federation
ORCID 0000-0001-9892-9421
terramarket58@yandex.ru

Drdo. Maria S. Akimova

Penza State University of Architecture and Construction, Russian Federation
ORCID 0000-0002-3899-5870
tereshkina_mariy@mail.ru

Drdo. V. Ulitskaya

Penza State University of Architecture and Construction, Russian Federation
ORCID 0000-0001-9200-919X
marina_ulickaya@mail.ru

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Abstract

Attracting investments is one of the main objectives of modern society. High investment attractiveness is the main condition for increasing the country's competitiveness, ensuring high and sustainable rates of social and economic growth. To find ways for attracting investment in real estate, it is necessary to conduct research on the role of agencies working in land and property relations. The article aims to analyze the work of Rosreestr (The Federal Service for State Registration, Cadastre and Cartography) as a factor in Russia's investment attractiveness, including the "property registration" indicator. The scientific conceptual approach was chosen as the main one to study this problem as it demonstrates the influence of Rosreestr on business development, along with dynamic indicators of investment attractiveness of Russia and its regions. In this study the authors reveal the theoretical aspects of the impact that registration activities with real estate have on the investment attractiveness of the country. The study presents the dynamics of foreign direct investment and classifies the main factors of Russia's investment attractiveness.

Keywords

Rosreestr – Investment attractiveness – Property registration – Land management – Rating

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Introduction

The issues of attracting investment is especially relevant in the context of the financial and economic crisis, when a potential investor does not dare to invest its money in unfamiliar investment project. A thorough and comprehensive check often discourages a foreign investor from investing in a particular project.

Foreign investment in our economy plays an important role in overcoming the crisis, especially in connection with the latest geopolitical events in Russia. High investment attractiveness is the main condition for increasing the competitiveness of the region, ensuring high and sustainable rates of social and economic growth.

Investment has always been a pressing issue, that is why it seems logical to analyze the studies that have been carried out in this or similar areas first. This research is based on the works of the following authors. The concept of investment attractiveness was considered by O.M. Valinurova, A.M. Vasiltsova, D.A. Endovitsky, O.B. Kazakova, J.M. Keynes, T.N. Matveev, J.S. Mill, A.S. Ponin, Yu.V. Sevryugin, N.A. Tsutskikh, Le Thi Thuy Nga, Pham Ngoc Thang, Yu.A. Yukhtanova. The issues of investment mechanisms development and implementation, including mechanisms for stimulating investment activities, were considered by I.T. Balabanov, V.G. Varnavsky, E.E. Ishchenko, N.N. Nelyubova, L.N. Salimov, M.I. Samogorodskaya, A.D. Sheremet and others.

These authors and their works provide a fairly comprehensive analysis of the concept of investment attractiveness¹.

Most economists believe that investment attractiveness of any economic system is a general characteristic of all social, economic, organizational, legal, political, socio-cultural prerequisites that determine the expediency of investing in it².

For instance, the attractiveness of real estate, and land in particular, is increasing, due to the fact that cities are overcrowded and there is a growing need to expand their territory. Another pressing issue nowadays is the involvement of unused agricultural lands in turnover. Russia is not the only country which experiences these problems.

For instance, Alain Bertaud in his report "Land markets, government interventions, and housing affordability. Wolfensohn center for development" says that inability to provide enough land for urban expansion leads to high accommodation prices, the emergence of high density slums and, as a rule, reduces the productivity of cities. On the contrary, some critics argue that cities are expanding too quickly into valuable agricultural areas and are using land inefficiently³.

Investing in land remains a very urgent issue. This process has profound implications for the future of the world agriculture and construction. The decisions made today will have serious

¹ S. G. Vazhenin & I. S. Vazhenina, "Survivability of territories in the competitive economic environment", Region: Economics and Sociology, num 2 (2015): 175-199; D. A. Endovitsky; V. A. Babushkin; N. A. Baturina et al., Analysis of the investment attractiveness of the organization: a scientific publication (Moscow: KNORUS, 2010) y M. I. Samogorodskaya, Investment management: Monograph. B.G. Preobrazhensky (ed) (Voronezh: Voronezh State Technical University, 2002)

² Ya.A. Zanina "Investment attractiveness of the state real estate items". Vestnik of MGSU, num 8 (2012): 197-202.

³ A. Bertaud, Land markets, government interventions, and housing affordability (Wolfensohn center for development, 2010).

consequences for well-being and food security of many people, for decades to come. It is viable to motivate people to use accounting and registration procedures by introducing explicit incentives, such as access to credit, tax incentives, etc. If this process is not properly organized, either the price of real estate will be high, or business will "hide" in the informal sector⁴.

Materials and Methods

To study investment attractiveness of real estate, the authors applied methods of logical and statistical analysis. The authors revealed the correlation between Rosreestr's activity and the volume of investments in Russia.

Results

Russia's investment niche

In most countries of the world, land cadastral systems are an indispensable part of managing the land and real estate market and they are focused on enhancing investment. It is the same for Russia: ensuring equal protection of property rights to real estate for all market participants is an important task of the state.

Russia's potential of a country with favorable business environment is largely determined by the activities of the Federal Service for State Registration, Cadastre and Cartography (Rosreestr) that pursues the goal of developing investment infrastructure in the regions of the country (business registration, property registration, land management and others).

Developing investment infrastructure, Rosreestr plays its part in the steadily increasing interest of foreign investors. For instance, by the end of 2015, foreign investors invested in 201 projects in Russia (87 projects in 2006, 201 projects in 2010, 2011-2014 – an average of 120 projects).

That is, the number of foreign direct investment projects grew by 61%. The dynamics of foreign direct investment is shown in Figure 1. According to the activity of international investors in 2015, Russia ranks approximately 8th among European countries, and for the number of jobs created (13,672) through foreign direct investment projects the country takes the fourth place in Europe.

At the same time, in the ranking of countries for direct foreign investment, in 2013 Russia took the third place, in the ranking of countries attractive for investors – the 11th place, and in 2014 Russia did not make it to the top 10⁵. At present, the situation is improving slightly.

⁴ H. Stuckenschmidt; E. Stubkjær & Ch. Schlieder, *The Ontology and Modeling of Real Estate Transactions* (Ashgate, 2002) y J. Zevenbergen, *Systems of Land Registration. Aspects and Effects*. NCG Netherlands Geodetic Commission (Delft, 2002).

⁵ Site of the Central Bank of Russia. Retrieved from: <http://www.cbr.ru/statistics/?PrId=svs>

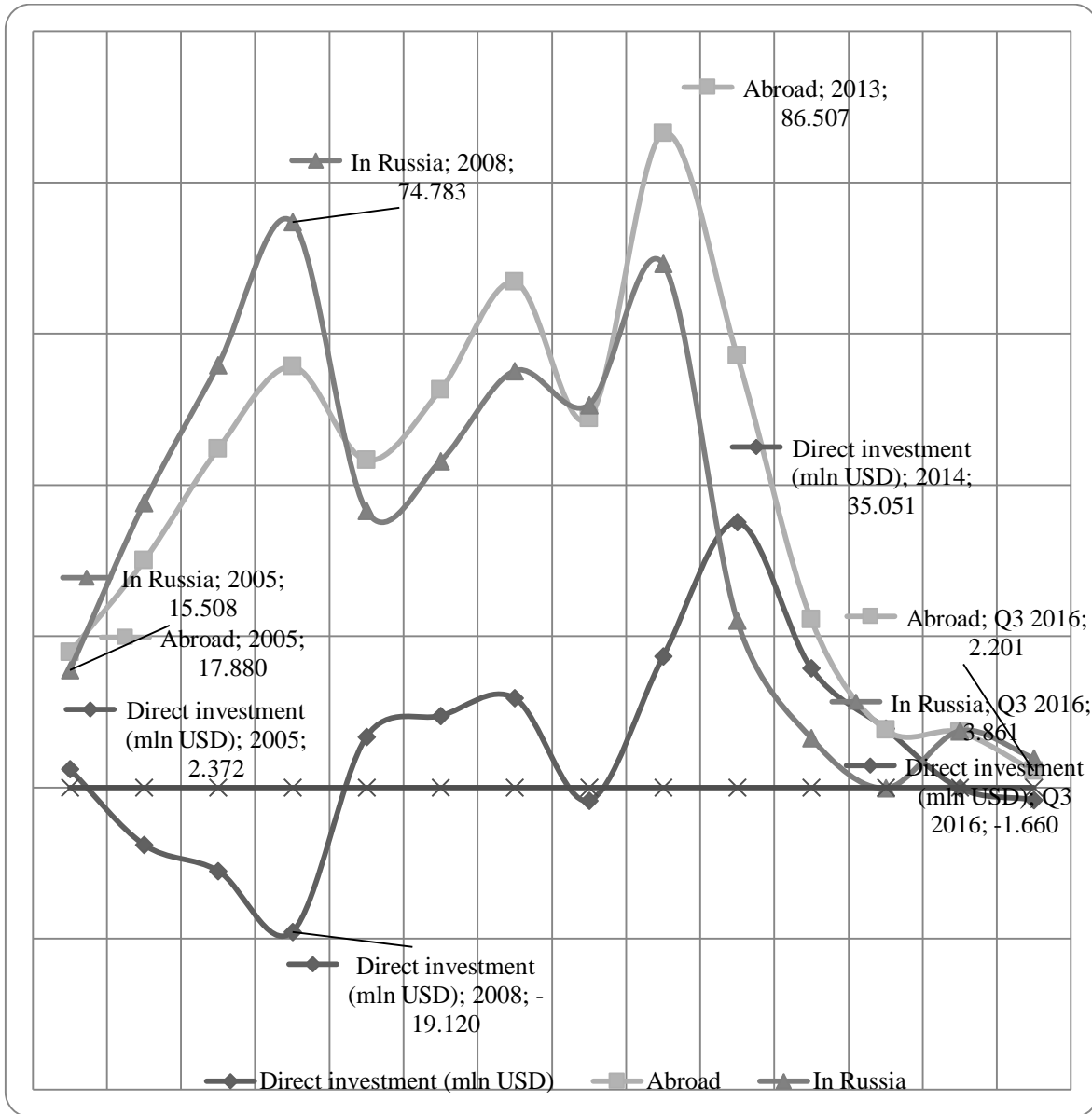


Fig. 1
Dynamics of foreign direct investment in Russia and abroad

Figure 2 shows that Western Europe has been the largest foreign investor for a long time. So, despite the sanctions of 2014, they were increasing their investments in the Russian economy, with a higher number of investment projects. The USA takes the second place regarding investment, launching 29 projects in 2015, which is twice as much as in 2014. In 2015, China invested in 12 projects in Russia. The share of investors from other countries also increased. In a year, the number of projects increased almost fourfold – to 11⁶. Therefore, investors from Western Europe remain the main target audience for Russia.

⁶ Study of investment attractiveness of European countries. Retrieved from: <http://www.ey.com/Publication/vwLUAssets/EY-european-attractiveness-survey-russia/> Site of the Central Bank of Russia. Retrieved from: <http://www.cbr.ru/statistics/?PrId=svs>

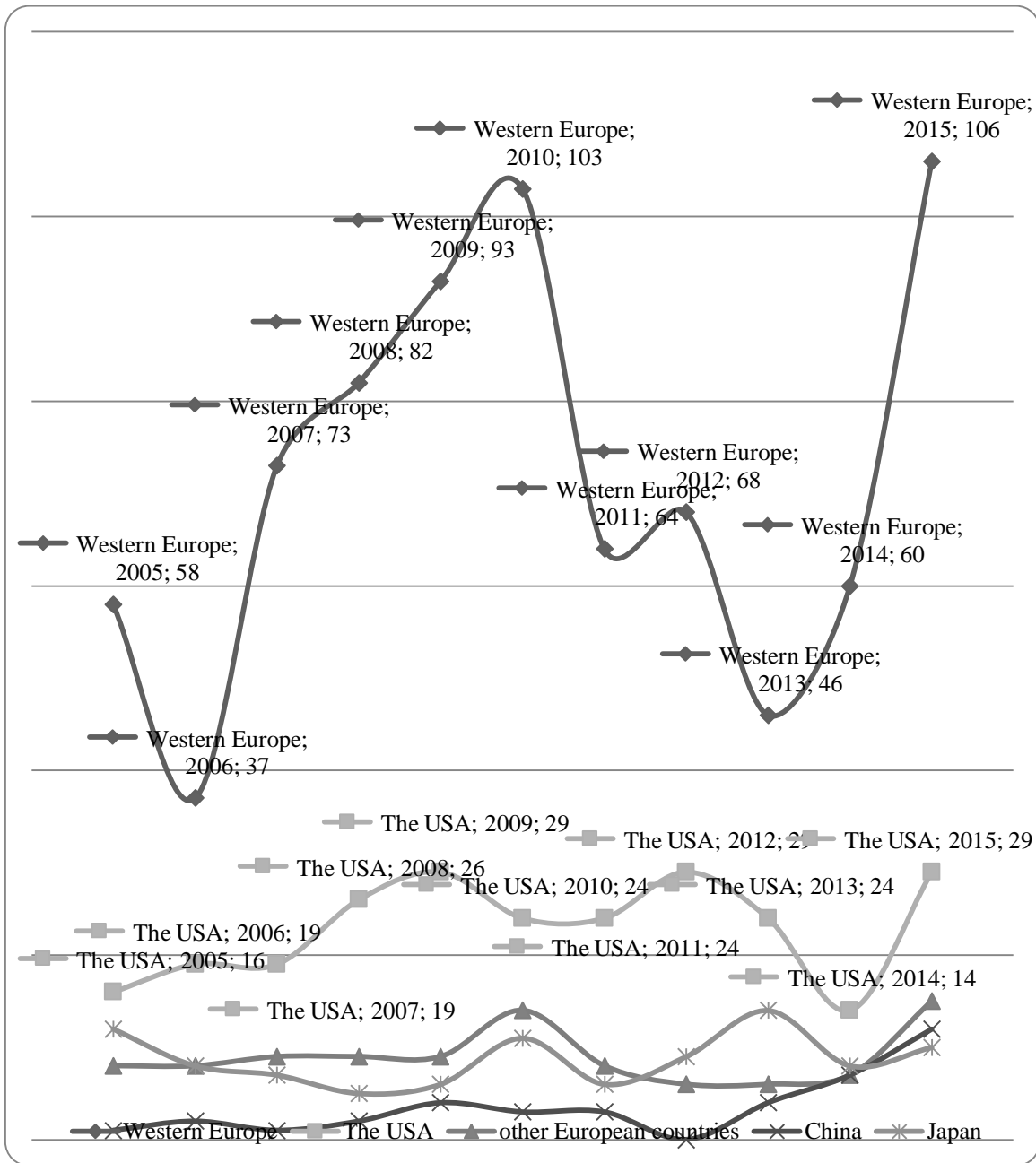


Fig. 2

Dynamics of the number of foreign direct investment projects for the major world regions investing in Russia

Russia still occupies the niche of a country providing resources since foreign investors are mostly interested in the production sector of the economy⁷. (Figure 3).

⁷ Study of investment attractiveness of European countries. Retrieved from: <http://www.ey.com/Publication/vwLUAssets/EY-european-attractiveness-survey-russia/>
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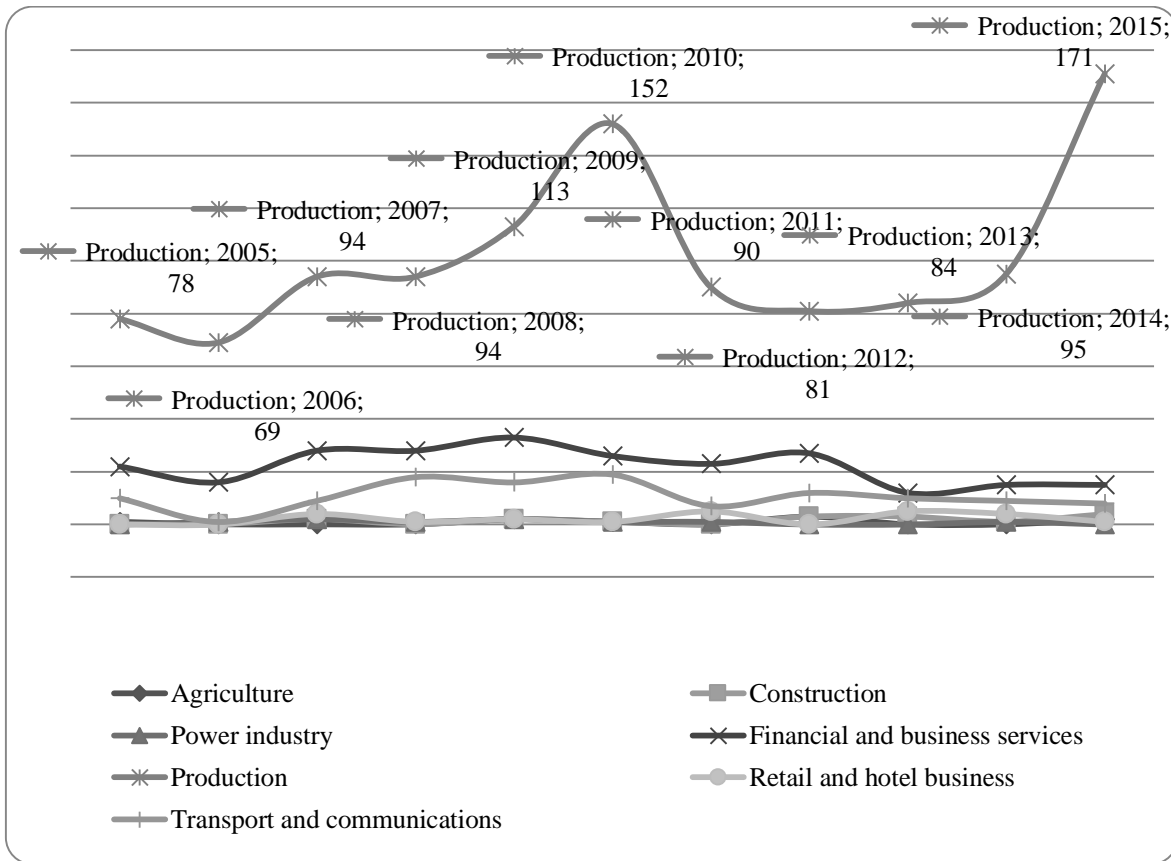


Fig. 3

Dynamics of the number of foreign direct investment projects in Russia by industry

Thus, Russia's investment policy remains oriented on resources production and is still attractive for investors from Western Europe.

Table 1 shows the main positive and negative factors of Russia's investment attractiveness⁸.

Positive factors	Negative factors
Well-established functioning of heavy industry branches A large volume of natural resources Well-established transport infrastructure Actively developing system of property accounting and registration The formed middle class Considerable labor force Interaction with the developed countries in the field of technological advances and innovations Rapid development of online services.	A high level of bureaucracy and corruption Intervention of authorities in the economic activities of business and functioning of the economy Low level of business culture. Gaps in the legislative framework in investments Lack of a clear procedure for providing guarantees and benefits to investors Deterioration of relations with foreign partners

Table 1
Factors of Russia's investment attractiveness

⁸ Study of investment attractiveness of European countries. Retrieved from: <http://www.ey.com/Publication/vwLUAssets/EY-european-attractiveness-survey-russia/>

The analysis shows that in the situation when Russia's investment policy is unclear and poorly focused, increasing the effectiveness of the investment infrastructure development, which Rosreestr is responsible for, is becoming incredibly important.

Significance of Rosreestr's activities for improving Russia's position in the global rating (external aspect)

Due to the fact that Rosreestr provides public and business services for the biggest share of population and is of highest social significance, a lot of attention has recently been paid to improving their quality and accessibility: introduced innovations aim to simplify the procedures for obtaining services, reducing the time and increasing their convenience (for example, by introducing new information and communication technologies, improving the infrastructure for rendering services to applicants, cooperating with multifunctional centers). This required Rosreestr to carry out focused and systematic work on strategies related to personnel training and information support⁹. Table 2 shows the main characteristics of Rosreestr for the considered period which demonstrates the extent the Russian land cadastral system was modified, how much its potential as a condition of the country's investment attractiveness has been fulfilled.

2012	2016
Fulfilled potential	
1) establishing contacts with the national cadastral services of Sweden, Switzerland, Denmark, Germany, Italy, Finland, Spain, Australia, Canada, New Zealand and other countries to study foreign experience in maintaining land cadastre; 2) involving The International Bank for Reconstruction and Development and other international financial institutions in financing the creation of an automated land cadastre system; 3) training more than 2,000 Russian specialists in cadastre technologies, establishing over 250 cadastre offices in various regions of the country and providing them with the necessary equipment; 4) creating the technical infrastructure of the State Real Estate Cadastre in 89 cadastral parcels; 5) launching the centralized cadastral registration with the unified automated information system; 6) conducting a large scale valuation of major construction works in 89 cadastral parcels; 7) the period of state registration of rights estimated 20 calendar days; 8) the period of cadastral registration estimated 20 working days;	reaching agreement with FAO on strengthening cooperation for improving the land management system; forming the Unified State Register of Immovable Property; establishing the procedure for changing information about a real estate item and about persons who have the rights to this item without the applicant present; rendering 62% of the services through more than 2,200 multifunctional centers, which allowed to reduce the number of offices for receiving and issuing documents of Rosreestr and the Federal Cadastre Chamber (from 1018 to 26); performing about 51 mln accounting activities of the State Real Estate Cadastre (+ 4.4%) and more than 25 mln registration acts in the Unified State Register of Immovable Property (+ 0.2%); increasing the volume of information provided on the Unified State Register of Immovable Property by 12% to 48,239,698 (50.3 mln of data were provided through interdepartmental exchange, of which 94% – in electronic form);

⁹ N.Yu. Ulitskaya; M.S. Akimova & L.A. Kondratieva "Development of organizational structure and personnel policy as a factor in increasing the effectiveness of Rosreestr's work". Management in Russia and Abroad, num 1 (2017): 79-86.

<p>9) electronic requests made up 64% of the total number of electronic requests per month (6.5 million requests);</p> <p>10) the growth of aggregate revenues to the consolidated budget received from the collection of land tax, property tax from individuals and organizations exceeded the planned indicator by 2.1 times.</p>	<p>the time for state registration of rights decreased to 6 days,</p> <p>the period of cadastral registration estimated 5 days;</p> <p>improving document storage system;</p> <p>) increasing the effectiveness of state land supervision by introducing the procedure for administrative examination of land plots using remote methods of conducting inspections;</p> <p>) the regional budgets received RUB 11 bln from Rosreestr services.</p>
<p>Unfulfilled potential</p>	
<p>1) The Unified State Register of Rights to Immovable Property and the State Real Estate Cadastre were interrelated, but independent resources of basic information, which resulted in high specific resource intensity of public services;</p> <p>2) the State Real Estate Cadastre uses two different software products;</p> <p>3) numerous mistakes and gaps in databases are one of the reasons for the high specific resource intensity of providing public services and real estate taxation;</p> <p>4) previously installed equipment does not meet the requirements for information protection;</p> <p>5) the share of services on state registration of rights and cadastral registration provided online estimates 5% of the total volume of services provided;</p> <p>6) the share of real estate items, rights to which are registered in the Unified State Register of Rights to Immovable Property with the relevant documents converted to electronic form makes up 7.2% of the total number of real estate items with registered rights;</p> <p>7) the Unified State Register of Rights to Immovable Property has no information on the boundaries of some land plots that are federal property;</p> <p>8) the growing social demand for public services outstrips the dynamics of resource support of the Agency providing them;</p> <p>9) the lack of space results in the situation when the cost of renting premises for the regional offices of the Service estimates RUB 1.2 billion annually;</p> <p>10) there is a lack of premises for archives storage and they do not meet sanitary and technical standards for document storage and fire safety requirements (the Service uses more than 3,000 facilities with a total area of 240,000 m² that are filled an average of 95%).</p>	<p>) The system improvement leads to an increasing burden on the federal budget, as well as the risk of insufficient funding for the activities implementation;</p> <p>) only 7% of the data on the boundaries between the subjects of the Russian Federation, 39% of data on municipalities boundaries and 14% of data on the boundaries of settlements were added in the State Real Estate Cadastre; there are no approved rules for land use and development, urban planning regulations; there are no recent versions of these documents on municipalities' websites; addresses of real estate items are not timely entered into the Federal Information Address System;</p> <p>) only 50% of land has clearly defined boundaries, and for agricultural sites this figure estimates 15%;</p> <p>) the cadastral valuation system needs updating: the number of real estate objects in respect of which there were disputes has increased by 106% to 77,673,000; the share of decisions rendered in favor of the applicants increased to 63%; cadastral value of items, due to pre-trial disputes, decreased by 27% to RUB 3.7 trillion;</p> <p>) the workload on each employee increased by 80%, while the total number of staff was reduced by 33.5%; the department ranks 32nd among 38 federal executive bodies for the staff payments with an average monthly salary of RUB 29,000, which leads to the outflow of qualified personnel.</p>

Table 2
Modernization of Rosreestr as a factor in Russia's investment attractiveness

Higher efficiency of Rosreestr's work has a positive impact on the rating indicators of Russia (Doing Business International Ranking). Regarding the effectiveness of registration of rights to real estate, Russia ranked: in 2011 – 51st; in 2012 – 45th; in 2013 – 46th; in 2014 – 12th; in 2015 – 8th; in 2016 – 9th¹⁰.

Doing Business-2017 Ranking (for 2016) considered 190 countries. For "property registration" indicator, Russia was among the leaders, ahead of the United States (34th place), China (43rd place), Germany (62nd place), France (85th place) (Table 3).

Major world regions	"Property registration" indicator	Evaluation of the indicator elements			
		Number of procedures	Period, days	Cost, % of the property cost	Index of the quality of land resources management system
Russia	90.55	3.0	15.0	0.2	26.0
OECD	76.60	4.7	22.4	4.2	22.7
Europe and Central Asia	75.92	5.3	20.6	2.5	19.8
Middle East and North Africa	60.64	5.7	30.5	5.9	12.5
East Asia and the Pacific	56.72	5.4	74.4	4.5	13.4
Latin America and the Caribbean	54.91	7.1	68.6	5.8	11.9
Africa (sub-Saharan Africa)	51.12	6.2	59.7	8.0	8.4
South Asia	46.61	6.6	110.7	6.9	7.9

Table 3

Rating of Russia and the world regions for property registration in 2016

Russia ranked 5th for the indicator "enforcement of contracts", "taxation" – 47th place, "registration of enterprises" – 42nd place, "obtaining construction permits" – 119th place, "connection to the power supply system" – 29th place, "international trade" – 170th place, "obtaining credit" – 42nd place, "protection of minority investors" – 66th place, "doing business ranking" – 49th place¹¹.

Discussion

The role of Rosreestr's work for investment attractiveness of Russian regions (internal aspect)

The regular internal monitoring of the work of Rosreestr's regional offices in Russia's federal subjects has been conducted since 2010. The National Ranking of regions that create favorable business conditions has been delivered since 2014. The system of

¹⁰ Site of Rosreestr. Retrieved from: <https://rosreestr.ru/>

¹¹ Doing Business International Ranking. Retrieved from: <http://russian.doingbusiness.org/rankings>

indicators in this ranking takes into account the existing practices of assessing investment climate.

Today, Russian regions are assessed by 45 indicators grouped into 17 factors that make up 4 directions:

- Regulatory environment: registration of enterprises, obtaining construction permits, connection to power supply systems;
- Institutions for business: regional legislation on investor support, institution for regulatory impact assessment, regional organization for attracting investments and working with investors;
- Infrastructure and resources: investment infrastructure facilities, registration of ownership rights to land, tax benefits in the region, state guarantees and government guarantee funds;
- Support for small business: financial support for small business, etc.

As a result, there have been positive changes in 60 regions of the country, such as a significant reduction in the terms of property rights registration and cadastral registration. For instance, in 2016 Tatarstan remained the leader in the rating. The top five included the Tula region, which moved from the 10th to the 4th place, the Tyumen region – the 5th place (10 positions up), the Vladimir region went up 10 positions – to the 8th place; the Khanty-Mansi Autonomous Okrug – the 9th place. Moscow was the last in the top-10 best regions of the country.

The Ranking also named unresolved problems in the field of increasing investment attractiveness for business. Excessive number of inspections were registered in 65 regions; 66 federal subjects demonstrated higher intolerance of business to corruption; road quality deteriorated in 43 regions¹².

By the beginning of 2017, in order to improve the business environment, Russian regions approved 12 target models for simplifying business procedures and increasing the investment attractiveness of the federal subjects of the Russian Federation. Rosreestr takes part in the implementation of two of these target models: "Cadastral registration of land and real estate" and "Registration of ownership of land and real estate".

The target model for state registration of property rights is aimed at reducing administrative barriers in providing state registration services. To achieve high results in this direction, it was necessary to establish effective online interaction between Rosreestr and regional authorities for exchanging information on real estate items, which enabled to reduce the terms of service provision and improve the quality of registration.

The target model of cadastral accounting aims to improve the efficiency of the procedure for granting land plots that are owned by the state or a municipality, as well as to reduce the terms of state cadastral registration of real estate items. An important aspect of this work is entering the information on the boundaries of the federal subjects of the Russian Federation, municipalities and populated areas in the Unified State Register of Rights to Immovable Property by the regions. In order to optimize cadastral accounting, it was suggested that regions should develop measures aimed at reducing the terms of administrative procedures: approving a scheme for locating a site in the cadastral plan of

¹² Site of the Agency for Strategic Initiatives. Retrieved from: <https://asi.ru/investclimate/rating/>

the territories, assigning or changing the address of a real estate item, and granting a land plot. On the country's average, in the first half of 2017, the share of cadastral registration suspensions amounted to 21.24%, with the failure rate estimating 13.03%¹³.

Talking about the effectiveness of Rosreestr's modernization, one should also mention the following drawbacks:

- the dynamics of registered rights, restrictions on rights, encumbrances of real estate items decreased by 6.6% (the first quarter of 2017 – 5,168,012, the first quarter of 2016 – 5,531,085);

- the number of accounting activities with real estate items decreased by 5.1% (the first quarter of 2017 – 6,989,987, the first quarter of 2016 – 7,365,835);

- the number of registered contracts for the co-funding of construction, registered mortgages, the number of registered rights carried out using a simplified procedure ("dacha amnesty") went down by 5-7%.

- in the first half of 2017, only 32 local offices of Rosreestr met the objective for the share of suspensions, 40 – the share of refusals (according to the objective for 2017, the share of suspensions in cadastral accounting estimated 18%, the share of suspensions – 10%)¹⁴.

Conclusion

1. Russia remains a resource country, attractive for investors from Western Europe. Re-positioning and changing the focus of the state's investment policy will require the development of relevant investment infrastructure, where Rosreestr performs a significant share of work.

2. The role of Rosreestr's activities in enhancing Russia's investment attractiveness implies improving the procedures for accounting and registering property, as well as land resources management. However, there are still many problems related to entering data in the Unified State Register of Rights to Immovable Property, which generally reduces the effectiveness of Rosreestr.

3. Introduction of targeted models will improve Russia's position on key parameters in Doing Business Ranking. At the regional level, the target models will be used to build the "road maps" for the regions to improve the investment climate in each of the directions¹⁵.

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¹³ Decree of the Government of the Russian Federation No. 2236-r of December 01, 2012 (revised on February 11, 2017) "On approval of the action plan ("road map") "Improvement of the quality of public services in state cadastral registration of immovable property and state registration of rights to immovable property and transactions with it". Retrieved from: <http://www.consultant.ru/>

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¹⁴ Site of Rosreestr. Retrieved from: <https://rosreestr.ru/>

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