Methods of Determining the Region’s Investment Strategy

Leonas Ustinovichius\textsuperscript{a,}\textsuperscript{*}, Andželika Komarovska\textsuperscript{b}, Robert Komarovsky\textsuperscript{b}

\textsuperscript{a}Faculty of Management, Bialystok University of Technology, Wiejska 45A, 15-351 Bialystok, Poland
\textsuperscript{b}Vilnius district municipality, ul. Rinktonės 50, LT-09318 Vilnius, Lithuania

Abstract

The region’s macro environment analysis identifies the measures that would improve the investment environment in the region and help to create an effective direct domestic and foreign investment promotion system. Based on the findings of the integrated analysis, in the decision-making stage the investment direction is selected, the implementation of which will allow achieving the stated goal. The alternatives for the implementation of the investment direction are formed. Alternatives are described using the efficiency criteria and are assessed using MCDM\textsuperscript{1} multi-criteria methods. The article presents the creation of the theoretical model of determination of the investment strategy in the context of sustainable development. The study includes an integrated regional analysis using Vilnius district as an example.

1. Introduction

The country’s economic development is not possible without construction: people use construction products – buildings of various purposes – for living, working and other social needs. Correctly targeted construction investments contribute to country’s economic growth and sustainable development. Scientific and economic studies have shown a number of attributes for the evaluation of the sustainable development [1]. While most scholars agree that the concept of sustainable development is quite controversial as different interpretations of the concept of sustainability elements exist, one should not doubt the fact that investment is necessary to ensure the sustainable development [2].

\textsuperscript{*} Corresponding author.

\textit{E-mail address:} l.uscinowicz@pb.edu.pl

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\textsuperscript{1} MCDM: Multi-Criteria Decision Making
However, the territorial planning is lacking the relationship of practical investment promotion and sustainable territorial development attributes [3].

To change the situation for the better, it is necessary to develop long-term comprehensive measures covering all aspects of socio-economic development of border regions and aiming to overcome their backwardness [4]. The framework of regional policies at all levels of government (national, interstate and local) should include the concept of multi-functional development of these regional entities [5]. In its most general form, the essence of this concept is moving away from mono-functional nature of the economy of backward areas and, if possible, including a greater number of different sectors and industries in order to achieve a higher outcome. At the same time, in the course of changes in the structure of those regions the on-going conversions must not assume a nature of random processes; they must be closely coordinated and based on the use of the most effective measures and solutions [10, 13].

Modernisation and diversification of the economy of those areas, i.e., endowing them with additional functions, which differ from traditional ones, will require the development of relevant integrated programmes, which enable more efficient growth of new sectors and industries not only relying on the potential of the region, but also on the resources of neighbouring territories, including those located in border states [11, 12].

2. Determination of the Investment Strategy

In order to attract investments and to use them purposefully, public authorities must have economic skills in state or district management. This may be achieved by relying on the experience of countries with strong economies and evaluating the future positive or negative effects of capital expansion directions, applying the latest concepts of sustainable development and multicriteria methods for the search and selection of alternative solutions [15–17]. Therefore, to identify opportunities of increasing investment attractiveness and to purposefully direct investment flows to the problematic business branches and/or problematic areas, it is necessary to develop a purposeful investment absorption strategy and to minimise potential risk factors (Fig. 1). For this purpose, it is necessary to perform an integrated analysis of the region, which consists of three major blocks of regional analyses: macro-economic analysis, investment climate analysis and investment strategy analysis [14]. Those are recommended for the following reasons:

- The region’s macro environment analysis identifies the measures that would improve the investment environment in the region and help to create an effective direct domestic and foreign investment promotion system
- The investment climate analysis includes the examination of the potential of the region, business development opportunities and the preparation of territorial planning documents. In view of the solutions of the prepared documents, their goals and objectives, the development for economic-commercial activities of the territory, the contents and the deadline of documents to be prepared are established
- The investment strategy analysis includes the examination of potential strategic development directions and the region’s SWOT analysis, which reveals the region’s strengths, weaknesses, opportunities and threats that may impact the region’s business and investment environment, and possible strategic development directions are formed (K1, K2, K3, ..., Kn).

Suggested indices for assessing the potential of the region are the following:

- Administrative divisions (prevailing residential locations, their size and number)
- Land fund (land balance belonging to the state, municipalities and individuals, completeness of the land reform)
- Tourism potential (number of surface water bodies in the region, their quality, wooded and protected territories (parks, reserves, etc.), cultural heritage sites, their condition and their dependence, hiking trails (pedestrian, bicycle paths, etc.), recreational and entertainment facilities
- Attractiveness of settlements (centralised (water and wastewater) engineering networks, centralised supply of water, quality of communications, social infrastructure development, public space design, quality of the environment)
- Clusters (PP, LEZ, business incubators, etc.).
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