

Allocation of 'Investments and development' for the objects of cultural heritage to the separate activity in Russian Classification of Economic Activities

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ORIGINAL ARTICLE

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Abstract. In modern conditions, the issue of qualification and legal registration of development is becoming increasingly important. The development projects have long been part of the economic practice. However, the absence of codification in OKVED classifier (Russian Classification of Economic Activities) makes it difficult for it to be effectively supported and regulated by the government. The purpose of this work is to substantiate the need to distinguish development as a separate type of activity, analyse possible changes aimed at regulating investments and project management for Objects of Cultural Heritage (OCH). The research implements the method of scientific dialectics, a systematic approach, the analysis and synthesis of theoretical development and regulatory documents. The article examines the specifics of development, including its complex, project-based nature, and suggests specific formulations for OKVED classifier and urban planning legislation. Therefore, the legalisation of development as a special type of activity stimulates an increase in investment activity, establishes the preconditions for the development of the construction market, and promotes a systematic preservation and adaptation of OCH.

Keywords: development; Objects of Cultural Heritage; OKVED; investments; development activities; urban planning legislation; economic development

JEL codes: L85, R52, Z18, K25

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Introduction

The development of the real estate market is increasingly attracting attention from both business circles and government agencies. The various forms of construction support (including preferential mortgage loans and regional development programs) naturally increases the demand for professional services related to the implementation of complex real estate projects. Nowadays, this activity named as 'development'. However, the concept of 'development' does not have a legal basis in Russian legislation. Nevertheless, developers form complex project teams, attract investors, deal with organisational and financial issues, and take on the risks inevitable during the reconstruction of real estate.

The projects related to cultural heritage sites should be paid a special attention. Those have high social, historical, and cultural significance, and often require significant investments for restoration, preservation and further use. The current OKVED concerns only construction, restoration, or protection of the objects of cultural heritage [1]. It complicates their state and municipal support, and reduces the investment attractiveness of such projects.

The purpose of the research is to identify development as a separate type of economic activity in OKVED classifier, in terms of the objects of cultural heritage. The objectives of the research are as follows:

1. To identify the key features of development as an entrepreneurial and investment activity.
2. To establish differences between development and related types of activities (including construction contracting and architectural services).
3. To propose possible changes to OKVED and urban planning legislation in terms of the specifics of

OCH development.

Indeed, the main attention is paid specifically to the systemic (complex) interpretation of development, and not to individual construction or restoration. However, in practice, development involves investment, management, and marketing. This is of particular value in terms of projects on the objects of cultural heritage development.

Methods

To study the research problem, we used scientific publications on development and urban planning legislation [1-8], regulatory legal acts of the Russian Federation, the Urban Planning Code, the current edition of OKVED classifier, judicial practice, data of official websites of state departments responsible for cultural heritage and construction.

The systematic study on development and the issues of its legal formalisation required an analysis of theoretical and practical documentation. During the research, we define two main vectors: identifying general trends and searching for specific arguments, as it allows us the comprehensive analysis of the research problem.

There are a lot of scientific publications [1-8] dwell on the organisational structure, financing of projects, the role of development on the construction market. However, they often provide a unified interpretation of development concept, but allow us to trace its dynamics over the past decades. Some authors pay special attention to the financial and economic mechanisms of project management, while others focus on the urban context and interaction with municipal authorities. The study of such sources helps us to forecast the trends in legislative nature of the development concept.

Therefore, it is necessary to study the regulatory legal acts of the Russian Federation directly related to the subject of the research. The Urban Planning Code provides the legal base for construction, architecture, design, etc. in terms of the modification of the urban (or other) environment. An analysis of the current norms has shown the absence of development concept causing a number of terminological and methodological difficulties.

Nevertheless, the study of OKVED requires the identification of the codes in construction, design, protection, etc. However, it does not include investments, marketing, or integrated project management. To scientifically substantiate the proposals for supplementing OKVED, it was necessary to analyse which codes are concern with development itself. As a result, this analysis formed the basis of the section on possible adjustments to the classifier [2].

Another important component of the work is the analysis of the judicial practice. For instance, the Decision of the Arbitration Court of the Krasnodar Krai shows the role of the development in property and financial disputes¹. It confirms the courts to establish and form criteria for distinguish development from construction, contracting services, etc. According to our analysis of the court materials, the absence of fixed legal acts and terms categories complicates law enforcement: the developer is sometimes referred there as the customer, contractor, investor, and owner. Although, he or she has a broader range of functions on the construction market.

Indeed, legislative and judicial documents give formal ideas. Therefore, we examined data of the official Internet resources of government agencies responsible for the management and preservation of cultural heritage. These websites contain methodological recommendations, orders, program documents, and comments on the most pressing issues of restoration, major repairs, and preservation of historical buildings [3]. It allows us to review the difficulties and coordination procedures for financing and regulation of developer's activities in the field of social and historical objects.

It was important to develop certain logic for selecting and analysing these data to avoid redundancy of information. Therefore, we used the scientific methods. Firstly, we used a dialectical approach, considering in development activity as a dynamic phenomenon. Therefore, we identified their contradictions, patterns, and trends and compare them with the actual state of the legal framework. Secondly, we structured data

¹ *Decision of the Arbitration Court of the Krasnodar Territory on 21.04.2017. A32-43078/2016. Source: <https://sudact.ru/arbitral/doc/pHpmgNPYQPdj/> (accessed on 01.02.2025)*

obtained to separate development into an independent type of economic activity. For instance, the analysis of the regulatory field revealed gaps, and the synthesis of data from judicial practice and scientific sources helped to formulate proposals for making changes to OKVED [5]. A systematic approach also allows us to study development in terms of urban planning, economic, and social contexts. Finally, a critical review of the literature concern with the proper development, and its relations with the interests of the state, business, and society.

Hence, during the research we avoided a narrow interpretation of the development. According to many definitions, development includes financial planning, marketing policy, risk management, the search for objects with the prospect of increasing their value (including redevelopment), etc [4]. Indeed, some papers consider development as the mechanisms of urban renewal, and highlight its economic efficiency.

Moreover, the materials of the official websites of government agencies confirmed discrepancies between existing practice and the regulatory field. For instance, the detailed instructions on project documentation for the restoration of a cultural monument called the initiator of the project 'customer', 'investor' rather than 'developer'. Therefore, the legal framework shows the absence of the correct terminology in terms of the development concept.

Additionally, we studied the expert comments and interviews in the open sources. Indeed, some of these publications are not the scientific articles or court cases; however, they provide interesting ideas on challenges of developers and government interaction. For instance, the typical difficulties in approving projects for the reconstruction of ancient buildings in the historical part of the city involve the architectural appearance, attracting a tourist flow, organizing parking areas, etc. Therefore, development of the objects of cultural heritage is a special sphere requiring a special legal status. However, it is not included into the current version of OKVED classifier [6].

An important method in evaluating the data obtained is the comparison of practice with existing international standards. It demonstrates similar challenges, i.e. preferential taxation, commercial risks for practice in terms of the objects of cultural heritage. Indeed, understanding of foreign experience helps us to formulate more precise proposals for the reform of the Russian classifier and legislation on urban planning.

Hence, complete overview of regulatory norms provides the comprehensive analysis in terms of the development through dialectical analysis and systematic assessment of the role of development in the economy and urban planning. These data confirm the hypothesis on development in the field of cultural heritage requires its own legal status and codes implementation in OKVED. On the basis of these data, it is necessary to improve existing regulations.

Moreover, the legal framework in terms of construction and cultural heritage is quite dynamic. Therefore, it is necessary to use only out-dated source [7]. Therefore, following the regular changes in legislation is an integral part of this study.

Hence, an analysis of scientific publications, regulations, judicial practice, data from government agencies and the use of a comprehensive methodology combining the principles of analysis, synthesis, dialectics, and consistency provide an existence of development both in theoretical and practical field. The conclusions obtained are justified and relevant both for a theoretical and practical aspects of development in terms of changing OKVED and urban planning legislation [8].

The empirical basis of the study is formed through analysing the current norms of OKVED classifier (in particular, sections F and 91), considering the types of work in terms of the construction and preservation of the objects of cultural heritage. We consider proposals on inclusion of new formulations in section 91.03 "Activities for the protection of historical sites and buildings, cultural monuments" taking into account its investment and management components.

Results

The essence and specifics of development

The review of scientific and practical materials [1-7] considers development as a multicomponent process combining a wide range of tasks, from the construction of new buildings to the transformation of

existing facilities with their subsequent capitalisation. Generally, the term is used in the context of bringing facilities to a higher quality or redevelopment of outdated buildings, industrial areas, or the enhancement of historical territories attractiveness. However, the term development is not defined clearly in Russian legal acts. It resulted in a lot of interpretation of the term. When dealing with disputes between project participants, courts are forced to identify and formulate development activities, which diversified an approach².

Within the framework of various projects related to real estate and infrastructure, development actually combines the functions of an investor, a manager, a marketer, etc. Historically, the Russian legal system has been dominated by a narrow interpretation of the construction process. Every qualitative change in a real estate object or territory was reduced to a building or reconstruction project [9]. However, the analysis of theoretical publications shows that the concept of 'development' prevails over the traditional construction activity. It combines financial, managerial, and marketing aspects ensuring the launch, control, and completion of various stages of the facility's life cycle. Moreover, it could be resulted in a physically renovated or newly built facility, including the transition from industrial buildings to innovative technology parks or tourist clusters focused on preserving historical heritage [10].

According to domestic and foreign publications [1-7], development is not a repair or construction. It has three key stages: pre-project, investment (sometimes referred as 'project'), and operational. The pre-project stage involves conducting of marketing research, assessment of the project prospects, potential limitations, and strategic goals. For instance, reconstruction of an ancient building defined as OCH requires obtaining of appropriate permits from the developer. The investment phase involves the development of project documentation, calculation of a budget, contract, and construction or reconstruction management. The operational stage includes the introduction of the object in the market and its operational management. All the stages are under marketing support: advertising campaigns, negotiations with tenants or buyers, an image of the object, etc.

In terms of historical buildings, the developer's responsibility is of special importance. Moreover, the support of OCH requires detailed interaction with specialists in the field of restoration and cultural studies, the use of special techniques and materials, coordination of each step with relevant government agencies [11]. As a result, a developer protects cultural heritage and tries to have a profit.

In law enforcement practice³, courts are often forced to use analogies of the law. On the one hand, there is a contractor that undertakes to construct or restore a building within a certain time frame. On the other hand, there is a client-developer without highly specialised knowledge about the initial restoration of building decoration. At the same time, development determines the development strategy of the facility, controls deadlines, allocates resources, and interacts with banks and investors. The absence of a distinct legal status of a 'developer' ensures the diversification of obligations and complicates court proceedings.

The developer has to build a system of interaction between architects, contractors, suppliers, officials, etc. For instance, it is not enough to build a house or renovate a former factory. It is important to think on logistics, infrastructure, and engineering networks, social and cultural aspects. When working with OCH, such an approach may include preserving authentic elements, establishing museums or creative spaces, and adapting buildings for exhibitions or conferences. Therefore, development acquires the status of change management in the urban environment, which takes into account both market trends and public interests.

The restoration projects are more complicated, since historical buildings are under the special protection regimes, requiring non-standard forms of financing (sponsorship, public-private partnership, etc.). Hence, there is a necessity to recognize development as an independent business sphere with legal fixation in OKVED and in legislative acts [12].

Multi-stage, combining the functions of investment, management, marketing, restoration and construction allow us to define development as a special kind of complex activity, qualitatively different from conventional construction services. It requires a separate codification and legal regulation to allocate

² Decision of the Arbitration Court of the Krasnodar Territory on 21.04.2017. A32-43078/2016. Source: <https://sudact.ru/arbitral/doc/pHpmgNPYQPdj/> (accessed on 01.02.2025)

³ Decision of the Arbitration Court of the Krasnodar Territory on 21.04.2017. A32-43078/2016. Source: <https://sudact.ru/arbitral/doc/pHpmgNPYQPdj/> (accessed on 01.02.2025)

responsibilities and differentiate the roles of project participants, develop additional support aimed at preserving cultural heritage.

Differentiation of development from related activities

Nowadays, development is mostly considered as the work of general contractors, however, the developer assumes to have a wide broader range of responsibilities. While the tenant builder concentrates on the construction process within the framework of the technical regulations, and the general contractor controls the subcontractors and the quality of work, the developer integrates all stages [13]. He is responsible for identifying a promising site or an existing building, assessing its potential in terms of profit and further operation, setting deadlines and budgets, and forming a financial model that may include funds from private investors, bank loans, company equity, and other financing tools.

Moreover, development activity includes a marketing justification of the concept, an analysis of the needs of potential customers (tenants, buyers, future users), a study of the technical possibilities of reconstruction or creation of new areas, etc. [14]. This includes engineers, designers, lawyers, marketers, cultural heritage experts, etc. In practice, developer starts his activity long before signing construction contracts: develops a building management scheme, lobbies the interests of owners in government agencies, and promotes the facility on the market.

Table 1 – Comparison of construction contract and development⁴

Parameter	Construction contract	Development
The main focus	Performing construction or restoration work according to the terms of reference and project documentation.	Comprehensive project management: from planning and investment to occupancy.
Stages of work	Construction, repair, restoration, and service of the facility.	Pre-project research, financing, construction/renovation, and marketing support.
Degree of responsibility	The contractor is responsible for the quality and timing of the work according to the contract.	The developer takes risks in terms of finances, timing, choice of concept, and management of the facility after commissioning.
Key competencies	Technical and engineering skills, experience in construction operations.	Skills in project management, financial analysis, marketing, and investor relations.
Relation to the objects of cultural heritage (OCH)	Restoration under the license.	Responsibility for the entire development and adaptation strategy of OCH, including coordination with the monument protection authorities.

Source: Author

The current OKVED codes are not correlated with the diverse developer functions and activities. Section F (Construction) covers a wide range of construction activities, including the construction of new buildings and the restoration of OCH heritage sites; it does not concern the issue of investment activities or the integrated management of the project from the developer's point of view. Section 71 – the activities of architects, engineers, technical consulting and expertise specialists. It mainly concerns with services for design, geodesy, and assessment of the condition of facilities. It does not consider the managerial and financial aspects forming the development approach. Finally, code 91.03 (Activities for the protection of historical

⁴ The table shows the key differences between a construction contract and a development project

sites and buildings, cultural monuments) implies the preservation and protection of monuments; it does not concern with investment, commercial operation, and promotion of the OCH [15].

As a result, a developer forced to perform diverse tasks: engineering and economical ones [16]. Therefore, it is impossible to develop targeted support measures or provide special tax incentives, since formally the developer is not under the legislation as a subject of strategically significant investment activity.

Moreover, the use of multiple codes makes statistical accounting difficult. The government agencies and real estate management cannot assess developers activities and their costs in terms of the OCH. It hinders the formation of a transparent development market and cooperation of business and the state. As a result, development companies continue to work under the disparate codes and have no guarantees that, with the support of the state or regional budget, their activities will be interpreted correctly. It is especially typical for projects related to the OCH, where additional benefits and approvals are needed, since the development of a concept and the preservation of a unique appearance often require time, specialised knowledge and an increased budget.

In fact, the absence of a corresponding code in OKVED disparate licensing and control procedures and provide difficulties in obtaining a single comprehensive support. As a result, the entire real estate management system, including historical real estate, have no the mechanism for holistic planning and investment, cannot effectively stimulate large-scale projects for the preservation and development of cultural monuments.

Proposed changes to OKVED

The systematisation of the collected data on the role of development in working with OCH demonstrates the need for an approach to classifying these types of work. Currently, section 91.03 focuses exclusively on the protection of historical objects, buildings, and cultural monuments⁵. However, development activities at OCH include a range of managerial, investment, financial, and organisational operations. Therefore, the wording 'Activities for the protection of historical objects and buildings, cultural monuments' should be transformed to cover the range of actions for promoting such projects.

Table 2 – Proposed changes in OKVED classifier (Section 91.03)⁶

OKVED (current edition)	Wording (current)	Proposed revision
91.03 Activities for the protection of historical objects and buildings, cultural monuments	It covers the functioning and protection of historical objects and cultural monuments, and does not include investment and management aspects.	'Management, conservation (protection) and investment in historical objects and buildings, objects of cultural heritage'.

Source: Author

According to the analysis, the previous edition of OKVED does not cover the stages of the development cycle. Indeed, it includes the search for sources of financing, the formation of a concept for the reuse of a historic building, marketing and legal support for each of the stages. The subsequent management of the facility after its commissioning is also significant, when the developer continues to coordinate business activities and monitor the return on investment.

The expansion of the section 91.03 and the introduction of position 91.03.1 with the possible title 'Management and investment activities in historical objects and buildings, objects of cultural heritage' provides the implementation of management decisions, risk management, financial analysis, and the search for a profitable scheme, interactions between government agencies, businesses, and public organisations, and planning a development strategy for the facility⁷. The previous wording of the section F (Construction)

⁵ The Law of the Russian Federation "On State Registration of Real Estate" on July 13, 2015 No. 218-FZ. Source: https://www.consultant.ru/document/cons_doc_LAW_182661/ (accessed on 01.02.2025)

⁶ The new version provides for the possibility to cover the investment and management components related to projects at objects of cultural heritage

⁷ The Urban Planning Code of the Russian Federation. Source: https://www.consultant.ru/document/cons_doc_LAW_51040/ (accessed on 01.02.2025)

concerns with the engineering and technical side of the project; the development company can make decisions on the economic feasibility, strategic prospects, and positioning of the object in the market.

Upgrading of separate code 91.03.1 may also affect the legal status of organisations engaged in the field of cultural heritage. A significant part of such structures requires investments in conservation or cosmetic restoration, and implementing of an effective financial and management model. As part of the proposed clarification of OKVED, a development organisation is able to officially declare its activities as management and investment.

For more accurate identification of such operations, it is important to take into account the specific features of cultural heritage. These include special requirements for project documentation, coordination procedures with monument protection authorities, additional social and ethical aspects, because such objects often have not only material, but also symbolic value for the regional or even national community. The inclusion of the management and investment components in 91.03.1 ensures this difference and gives developers the opportunity to officially position their business as a complex framework of repair and restoration [17].

However, there is a need to establish the developer's area of responsibility and the areas covered by the F code. Hence, companies involved in restoration are in section F; companies involved also in planning, attracting finance and commercial operation are in section 91.03.1. This differentiation gives flexibility of choice and regulates the market, as each business entity determines more precisely [19].

In the long term, the changes introduced will also encourage more detailed statistical reporting on OCH. It will help to optimise monitoring the volume of investments, the dynamics of these projects, and their final impact on the economy and the cultural environment. Developers will be able to reasonably apply for specialised support measures or benefits in the field of preserving historical heritage, because the existing codes and their descriptions will allow them distinguish their activities.

The interpretation 91.03 with the addition of 91.03.1 is advisable from the point of view of theoretical systematisation, legal regulation, and market participants. Therefore, a separate category for complex development projects in the field of cultural heritage will ensure business approaches for the OCH. At the same time, the structure of the classifier will remain stable, but construction activities and investment management will be separated according to OKVED codes. A description of section 91.03 with 91.03.1 code will consolidate the existence of an economic activity consisting of construction and security functions, investments and management [18].

Criteria for classifying activities as development

There is a problem is especially evident if a company undertakes work with OCH. Indeed, the developer can be engaged in construction or restoration, but also in investing, finding partners and tenants, managing functions, and marketing support for a future project.

Table 3 – Criteria for classifying activities as development⁸

Criteria	Content	Applicability to OCH
Share of revenue/income	The percentage of revenue (or total income) from development activities in relation to the turnover of the entire organisation is determined.	The predominance of operations on investment and management of OCH, development can be declared as the main activity.
The degree of participation in the project stages	The involvement in pre-project research, design, financial planning, subsequent implementation and operation is assessed.	Organisation is recognised as developer after expertise of its activity.

⁸ The criteria make it possible to distinguish between development and related types of work.

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Criteria	Content	Applicability to OCH
Compliance with statutory goals (for non-profit organisations)	The right to invest, manage real estate, marketing, etc. is prescribed in the constituent documents.	For funds and associations related to the restoration and preservation of OCH it allows ones to officially conduct development activities.
Marketing and investment activities	It takes into account whether the organisation is engaged in the search for investors, the development of a marketing concept, ensuring the payback of the project.	It is of the great importance as it requires specialised measures (attracting grants, subsidies, and partner programs).

Source: Author

According to the existing methodological recommendations on the application of OKVED codes, the choice of the main type of activity is based on a share of revenue, the amount of income received, a compliance with the statutory goals (in the case of a non-commercial format). For commercial organisations the percentage of revenue in an area relative to the total turnover of the company is recognised as a key guideline. The significant increasing of the share of the development component in the total income of the company could be a result of company's engaging into a renovation of buildings. It expands its responsibilities to the integrated management of an old mansion restoration project, attracts financing and assumes part of the responsibility for the operation of the facility. As a result, such a company is able to demonstrate development as a prominent component of its business.

For individual entrepreneurs, the revenue criterion is transformed into total income, which, in addition to basic earnings, includes taxes, related deductions and other mandatory fees levied on transactions. It is of fundamental importance for statistical accounting and reporting. The transformation of OKVED classifier will ensure the importance and relevance of development.

Moreover, there are non-profit organisations without a traditional profit. Their efficiency (and hence the definition of a profile) is closely related to the statutory goals. The organisation declares development (in terms of OCH) as a leading activity and provides for investment and project management, it can be determined as a developer. This is extremely valuable for receiving grants, various forms of government support, interaction with private investors, etc. Although the non-profit sector does not aim to make a profit, it can still work with a financial planning mechanism, develop capital raising schemes, and receive some benefits (for example, in the form of lease payments, but without distributing profits among participants)⁹. This type of activity assists in the preservation of the monument and increasingly resembles the classic development model with an integrated approach.

In any case, these criteria (the share of revenue or income, the relationship with the statutory goals, and the actual volume of projects implemented) allow us to form an objective scale corresponding to the concept of development. For the enterprise is engaged exclusively in repair and construction of OCH it is advisable to remain in section F, without claiming special status privileges related to management, investments, and project coordination. On the one hand, it protects the market from confusion of concepts, and on the other hand, it provides additional opportunities for complex and large-scale activities.

When a company or sole proprietor transits from restoration services to multi-stage investment planning, they actually take on new risks: from financial and legal to image ones. On the contrary, the development company may decide to optimise costs and transfer part of the construction tasks to subcontractors, retaining only the functions of organiser, coordinator and manager. All such strategies affect the revenue structure and the actual share of activities that are classified as development. Consequently, the interpretation of the main

⁹ *Federal Law of the Russian Federation "On State Registration of Rights to Immovable Property and Transactions with It" on 21.07.1997. No. 122-FZ. Source: <http://www.kremlin.ru/acts/bank/11239> (accessed on 01.02.2025)*

type of activity is directly related to the logic of the organisation of the entire project.

In practice, construction companies or investors realise their assistance in evaluating an object, financing advice, legal support for transactions, marketing to the end user (tenants, buyers), etc. It makes them the developers, changing the proportion of their income and, consequently, transits from the construction activity section to the group, which will be fixed in the updated 91.03 (or separate 91.03.1) [21]. In this case, the calculation of the revenue share will already show that the main turnover is not formed by performing repairs as such, and through integrated project management, capital rising, and subsequent facility maintenance.

Therefore, determine of development it is an urgent task. It allows the managers to assess their construction specialisation, a range of services, and the introduction of modern management tools. It is important for potential customers and partners to see the reliable information about the business profile, supported by official figures (revenue volume, revenue share).

The regulation of the criteria for classifying an enterprise to development becomes the key to form a transparent market. This system forms a structure in the market, ensures statistical reliability, and makes it easier for public authorities to form priorities and support measures in the field of cultural property preservation.

Discussion

The importance of separating development into an independent OKVED code might have a complex impact on the system of economic relations, regional planning, and historical heritage. However, development projects, especially those focused on historical buildings have their own specifics that require additional financing, special design and cooperation with government agencies. The enterprises will have a formal opportunity to apply for subsidies, tax breaks, and grants for the integrated development and adaptation of historical territories. Those will become a kind of motivation to implement more responsible and high-quality projects and do not compile the functions of a contractor, manager and cultural expert.

The regional statistics and analytics are very important. The local authorities should analyse investments and OCH activity. An absence of a separate development code makes it difficult to collect and analyse data. The special OKVED code helps to the regional officials and researchers analyse the actual volume of investments and the dynamics of the projects. It will simplify decision-making in budget expenditures: the municipal authorities will prefer to support development initiatives, since statistics will show their effectiveness in terms of involving the population, jobs formation and improving the urban landscape.

Moreover, it will have the beneficial effects on judicial and supervisory practice. Today, many disputes concerning complex projects involving OCH attempt to determine whether a particular company is responsible for the entire range of work (from financing to marketing) or acts as an ordinary contractor performing a given section of construction activities [22]. Absences of legislative consolidation of the term 'development', courts are guided by the rules on intermediary services, lease or investment, which causes terminological inconsistencies. The transformation of OKVED, confirmed by the substantive characteristics of the developer's activities, allows ones to decrease the quantity of disputes, resolve the conflict, etc.

Indeed, the new code will not eliminate the contradictions that arise in the field of cultural monuments preservation. Many factors interact here, from financing to public discussions on possibilities to reconstruct the OCH. Nevertheless, developers receive a legal instrument recognised by the state; it will be easier for them to negotiate with relevant authorities, attract external resources and specialists to restore the exterior facades and analyse the life cycle of the building [23]. According to the experts, a competent developer focuses on the right combination of the commercial component and public interest, striving not only to make a profit, but also to establish new cultural spaces for the citizens.

Additionally, the allocation of development as an independent area can stimulate the establishment of professional communities. Nowadays, there is a market fragmentation – architects, restorers, engineers, lawyers are working in their own segments. The development companies prefer to involve specialists from several industries to ensure unified design. These companies will have an additional incentive to form associations, participate in specialised conferences, share techniques and experience, make proposals to

improve the legislative framework, and support the young employees. Hence, there is a formation of the project management culture.

Note, an absence of regulations prevents the foreign investors' participation. An absence of the terminology allowing the activity registration could not guarantee the transparent use of funds, comprehensive analysis of investments in accordance with the laws in terms of OCH. The introduction of the new code provides transparent cooperation of potential partners and investors.

This information can form the basis of territorial development programs. Data analysis shows a number of incentive measures can be proposed to balance development. The competent analytics on the development of OKVED directly affects the quality of strategic planning.

Another important detail is social responsibility. The development of historical sites is a multi-stage process, often requiring negotiations with the public and local initiative groups. When development is recognised as a special type of economic activity, developers will have increased responsibility not only to investors, but also to society [24]. An inattentive approach to cultural monuments causes negative consequences: the destruction of authentic elements, the replacement of unique structures with cheap analogues, etc. On the contrary, a socially responsible developer is forced to protect the territory, and consult with the experts.

To summarize, the allocation of development to an independent OKVED group will not replace the entire set of reforms required in the field of cultural heritage conservation. However, this is a significant step towards modernising the management system, forming the favourable conditions for public-private partnerships, targeting support for responsible projects, building new cooperation, and increasing the transparency of business activities. The regulatory status of development can help to form the additional values for the urban environment, culture, and society as a whole.

Conclusions

The research covers a wide range of issues related to development as a unique type of entrepreneurial activity, different from the usual construction or design of real estate. It considers both scientific literatures, where development is viewed through the prism of project management and investments, and regulatory legal acts regulating the activity in terms of OCH. As a result, many sources consider the term 'development' controversially. Meanwhile, its formalisation can have a real impact on the development of the industry and OCH important for culture and tourism.

The one of the central ideas of the entire analysis is that development is not a collection of disparate transactions for the purchase and sale of land or buildings [25]. It is a complex process covering the range of activities from funding and negotiating with investors to planning the future use of constructed (or renovated) facilities. It requires a special place for development among the other economic activities. The developer should be an expert in architecture, engineering, legislation, marketing, financial planning, and balance between profit and public interests in the field of OCH.

The conducted research identified the several key ideas. The developer involves the simultaneous solution of organisational, legal, economic, and technical problems. For instance, a construction company may be engaged in the construction of a new building or the reconstruction of an old one, but it does not always assume the functions of financing and a comprehensive operational strategy. When working with cultural monuments, specific conditions are added: the need to comply with security requirements, take into account public opinion, and coordinate with relevant government agencies. The success of such initiatives is often directly related to the competence of the developer, and his or her ability to construct a dialogue between architectural bureaus, restorers, historians, municipal administration, and financial institutions.

Secondly, the absence of a special code in OKVED equates development to either construction, mediation, or other similar field, which loses the real uniqueness and scale of the tasks that the developer solves. Hence, it complicates the process of obtaining support from the state budget, but also introduces confusion for potential partners. It slows down the development of the industry and often prevents the potential investors to finance such projects.

Thirdly, the expansion and refinement of the 91.03 or formation of a new position in the classifier

provides more targeted support policy. The activity defined and separated from other types of work helps the government agencies to assess the resources, especially those related to historical sites. For instance, the ministries or regional authorities may develop specialised grant competitions or preferential tax regimes specifically designed for developers engaged into the preservation of cultural heritage. A similar practice exists in a number of foreign countries. The developer is given tax holidays or subsidies in case of his preservation the historical authenticity by integrating the building into a modern urban infrastructure.

Fourth, the introduction of the term 'development' into the Urban Planning Code of the Russian Federation will simplify judicial and administrative procedures. Currently, courts sometimes have no comprehensive definitions to consider disputes on the distribution of risks and responsibilities between the developer, investor, and customer. A legally established concept of 'developer' concerns with these issues. In addition, supervisors i.e. monument protection inspections or territorial administrations of the Federal Property Management Agency will be able to identify the actors responsible for investment and organisational risks faster, which will reduce the conflict situations and illegal work.

The results of the research demonstrate the importance of this initiative both for investors and for the entire real estate market as a whole. The urgency of long-term benefits to society, combining the preservation of cultural heritage with economic efficiency, requires an expert development. We believe, only the expert development ensures the interests of the state, social demands for the preservation of historical memory, financial results, and profitability. Therefore, development as a term and activity should be formally fixed in the legislation.

We formulated the main provisions of the research as follows:

1. The multi-stage nature of the development. Modern projects require technical knowledge, economic expertise, project management skills, negotiation skills, and a deep understanding of the specifics of security legislation. The developer designs a development strategy for the facility, considering the life cycle from the moment of design to stable operation and even subsequent maintenance.

2. The absence of a particular code in OKVED and its consequences. In practice, the development companies are often forced to register under non proper codes. As a result, government support (tax incentives, grants) is ignored, because formally the recipient of subsidies is an individual. Irresponsible to reconstruct the facilities. This affects both the transparency of statistics and the attractiveness of the market for the investors.

3. The need to expand and adjust the grouping 91.03. Today, 91.03 focus on the protection of cultural heritage, but it does not specify the mechanisms of project management and investment in OCH. The allocation of development into a special sector, which includes management, financing, and integrated implementation will systemise the industry. In the long term, these processes at the regional and national levels are becoming easier.

4. The inclusion of relevant regulations will help distinguish development from classical construction and consulting. The judicial practice will have a terminology base for resolving disputes related to the developer's liability. It stimulates the regulatory framework, speeding up the approval process, and attracting private investment.

As a result, the idea of allocating development to a separate category of OKVED and including this term in the Urban Planning Code of the Russian Federation has significant practical significance. The benefits for the real estate market are as follows: acceleration of economic processes, transparency of interactions between the government and business, improvement of the investment climate. However, it is particularly important in terms of OCH, where the slightest mistake in the reconstruction process can lead to the irreparable loss of the unique appearance of buildings. A developer operating in a legislative field assumes the commercial risks, and a part of public responsibility. As this activity is becoming visible and measurable in terms of high professional and ethical standards.

According to the international experience, real estate development is an independent business trend providing the establishment of the institutions, training programs and professional associations. In Russia, this process is only at start, and the legal consolidation of the developer's status can serve as a catalyst for further development. The result will be a higher level of competition and a higher-quality projects appearing

on the market.

Today, development plays a significant role in the spatial development of cities: it forms an attractive environment for life and business with the right approach to cultural heritage support. We believe, it is necessary to introduce a separate code in OKVED classifier and a system of legal norms. It can ensure a stable foundation to act effectively, transparently, and in the interests of society.

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CONFLICT OF INTEREST

The author declares no conflict of interest.

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