Perspectives of state investment policy in Russia

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Abstract. The state investment policy is an important mechanism for the country economy development. The main elements of the state investment policy allow us to outline the ways of this process development in order to increase the economic growth rates and overcome the investment climate complexities.

1 Introduction

In the current situation of a non-stable economy, in the face of external constraints in the form of sanctions state support for enterprises becomes especially essential. The government of the Russian Federation cannot but react to the current situation, so its priority is the need to develop a competently built investment policy.

The Russian economy is in a state of structural and technological disequilibrium, characterized by an inefficient distribution of production factors and financial resources that prevents the formation of sustainable economic dynamics. In this connection, investment policy becomes the key element of economic policy.

2 Materials and methods

An important role in the regulation of investment processes is assigned to the state that has to perform functions aimed at ensuring the efficiency of economic systems, the dynamism of investment activity and entrepreneurial activity of economic entities.

On the one hand, the state can act as an accelerator of investment processes in the country that is to systematically search for measures to attract investors, create a favorable investment climate, and promote the search for new sources of investment. On the other hand, state structures, depending on the specific situation, can act as observers who do not directly oppose the development of investment activities, but also do not contribute to this [2].

There are a number of ratings that reflect the investment environment development in Russia. One such rating is the International Business Compass that is annually compiled by the Hamburg Institute of World Economics in cooperation with the BDO auditing company

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from 2012. The rating compilers assess the investment attractiveness of the countries of the world, based on three main indicators – economic, political and sociocultural.

Hong Kong, Singapore and the Netherlands were the leaders of the International Business Compass-2016. In 2016 Russia was on the 100th place among 174 countries, the same level was in 2015 [9], hence the measures taken by the state are insufficient to improve their positions.

The World Bank also provides a rating on the investment attractiveness of the countries of the world called “Doing business”. In 2016 Russia was on the 51st place, compared with the previous year its rating went up 3 steps – it is connected with the fact that it became easier to get access to electricity and credit, but it became more difficult to register the enterprise. Leading positions in the ranking are taken by the following countries of the world: Singapore (in many indicators it takes the first places), New Zealand, Denmark, Great Britain is on the 6th place, and the USA is on the 7th place, Germany occupies only the 15th place.

Prior to 2008, there was an increase in investment in actual prices (Fig. 1).

Fig. 1. Dynamics of investment in equity and the investment physical volume index in 1987-2016 [8].

The analysis of investment in equity in comparable prices (adjusted for inflation) shows that real growth began only in 1999, when the index varied from 105.3 to 123.8%. The new drop in volumes, caused by the crisis of 2008-2009 (read more information on the crisis and its consequences here), occurred in 2009, both in actual and in comparable prices. Reduction of investment in comparable prices has been observed for the last three years [8].

Today the share of investment in equity accounts is one-fifth of the country gross domestic product (GDP). At the end of 2016, 14,639.8 billion rubles are invested in the country economy that is 20.4% of GDP.

More than 80% of the total volume of investment is appropriated by the Russian ownership organizations, mainly private. 8,244.0 billion rubles, or 67.6%, out of 12,192 billion, are appropriated by private enterprises in 2016. The share of foreign and joint ventures was 9.2% in 2016 (Table 1.).

In the structure of investment in equity the largest share falls on buildings and structures, in recent years it has increased from 43.3% in 2011 to 45.2% in 2016. Almost a third of investment is channeled to machinery, equipment and vehicles (30.6%); in 2011 they were at the level of 37.9%.

Table 1. Structure of investment in equity by forms of ownership for 2011-2016 [8].

Year	Total, billion rubles	Including property		
		Russian	foreign	joint Russian and foreign
2011	11,035.7	9,693.3	665.2	677.2
2012	12,586.1	10,643.6	1,142.8	799.7
2013	13,450.2	11,540.5	1,038.1	871.6
2014	13,902.6	11,975.6	975.8	951.2
2015	13,897.2	11,720.5	1,147.1	1,029.6
2016	14,639.8	12,192.2	1,101.0	1,346.6

Among the outsider sectors, in terms of investment dynamics in 2016, there were almost all industries focused on the investment goods and services production – manufacturers of machine-building products and construction materials, where the rate of decline was from minus 15% – in the automotive industry, to minus 35% – among the manufacturers of machines and equipment. The same can be said about investment in sectors that ensure the accumulation of human capital – investment in the re-equipment of health care and education fell by 9% and 23% respectively in 2016. At the same time, education was one of the few sectors, where in 2016 the fall in investment was more than in 2015, acquiring the character of an investment disaster (along with the production of building materials, coke and oil products, leather goods and footwear) [6].

According to the Federal State Statistics Service, in January-September 2017 the increase in investment in equity was 4.2% compared to the same period last year, while in the first quarter it was 2.3%, in the second quarter it was 6.3%, and in the third – 3.1%.

The most significant decline in investment was recorded in the automotive and woodworking industry following the results of nine months of 2017. The reason for the decline in the investment activity of automotive enterprises is the lack of private investment amid low demand for products; and the woodworking industry is export-oriented that affects its narrowing from losing its positions in foreign markets. The decline in investment was also noted in the production and distribution of gas and electricity, as well as in water supply and sanitation. The lack of public financing for municipal services was one of the reasons for this process. The decline was noted in construction: the decrease in investment is -6.1% to the corresponding period of the previous year, despite the existence of such projects as the Kerch Bridge and sports projects. The most difficult state is in the field of investment in hospitality. In conditions of a decrease in the effective demand of the population, the demand for services in this sector falls very rapidly.

At the same time, the entertainment industry and sport show a steady growth in investment activity, which is undoubtedly facilitated by the World Cup in 2018. Also there are high investment figures for rail and pipeline transport. Investments in the former are connected with the reform of Russian Railways; and in the latter – with the continuation of the projects implementation for laying new pipelines and active state support for these sectors. A very high investment growth (49%) is recorded in financial activity that can be explained by the growing popularity of insurance services during the economic crisis.

The internal environment factors are determined by the entrepreneur on the basis of the external environment analysis and are used to establish the boundaries of the business structure functioning [1]. To support the entrepreneurial process development it is necessary to increase government financing through public investment mechanisms.

The state can also serve as an important mechanism for attracting financial resources to the production and social infrastructure. 80% of investment resources centralized in the federal budget are aimed at satisfying such spheres as healthcare, construction, science,

culture and others. The remaining resources are aimed at stimulating innovative private and foreign projects in the national economy development [10].

This source of activity financing is relatively cheap, but access to it is constantly narrowing, and is the main source of increasing the enterprise economic potential in an unstable economy.

According to the expenditure side of the consolidated budget, the maintenance of projects under the national economy programs accounted for 4332.0 billion rubles of federal budget expenditures in 2017, in 2016 expenditures amounted to 3,899.8 billion rubles [5].

The structure of expenditures to support the real sector of the economy shows that in 2017 the largest amount of financial resources was channeled to road maintenance 34.3% of the total expenditure, as well as in 2016 (35.1%); the next largest industry is transport (19.1% in 2017, 17.8% in 2016) and agriculture and fisheries (7.9% in 2017, 8.5% in 2016).

At the same time, as of the end of 2017, the expenditure part of the budget on the national economy item was 95.3% complete.

Thus, we see that this source of financial resources is strictly targeted and is not available to the whole spectrum of enterprises of the national economy [10].

The analysis of investment volumes, internal sources of financing and the propensity of enterprises to invest available financial resources in upgrading (rather than save) shows that the main reason for the slowdown in investment dynamics is not a reduction in the psychological propensity to invest, but a factor of the enterprises financial balance shrinkage. In the economy there is a strong degree of investment self-financing that is the enterprises forced reaction in conditions, on the one hand, restrictions on the capital flow from abroad, and on the other hand, the tight monetary policy of the Bank of Russia.

Among the main factors limiting economic growth the factor of the economic situation uncertainty remains at the first place with a slightly inferior factor of insufficient demand within the country. Therefore, the search for measures to reduce the uncertainty growth impact on producers remains an urgent task.

In order to develop the state investment policy and its balance, the Ministry of Economic Development accepts federal targeted investment programs for each year.

A key function of targeted investment programs is a comprehensive solution to the problems of the country economic and social policy in the medium and long term perspective through program-targeted planning. The following advantages of targeted investment programs are emphasized as an element of the program approach:

1. a sufficiently long planning horizon that can be compared with the efficiency and payback period of investment;

2. a more transparent mechanism, in comparison with other methods of public financing;

3. the possibility of promptly adjusting the activities downloaded in the program and, as a consequence, the ability to respond quickly to changing program implementation conditions;

4. The ability to combine and distribute powers between different levels of government and the private sector of the economy.

So for the period 2018-2020 the following principles for the investment costs formation are formulated:

- preservation of the programmatic principle of the formation and implementation of measures included in the federal target program (specific tasks complex solution);

- taking into account the results of projects implementation in the reporting period;

- priority implementation of activities and facilities to be completed (commissioned) in 2017;

- taking into account the financial and economic consequences of the major construction rolling objects conservation, in case of their implementation refusal;
- implementation of projects that have a high usage share of domestic equipment, materials, labor and intellectual activities;
- implementation of strategically important projects to ensure social-economic, environmental and national security.

Despite the urgency of tasks to develop investment activity in the economy during the unstable economic situation, the federal targeted investment program is declining each year (Table 2). So for 2019 626.8 billion rubles are planned, this is 28% less than in 2016.

Table 2. The amount of budgetary allocations provided for the implementation of FTIP for 2016-2019, billion rubles.

	2016	2017	2018	2019
Federal targeted investment program, total	870.5	824.1	749.9	626.8
in % to the 2016 level	100	94.7	86.1	72.0
including				
Federal targeted programs	531.6	537.7	502.3	400.4
Budgetary allocations to major construction, not included in the federal targeted programs	338.9	286.4	247.6	226.4

At the same time for 2018 out of the total financing amount, 30.2% falls to road facilities; 15.8% is a special program package that includes: the federal target program “Improving road safety in 2013-2020”, the federal target program “Maintenance, development and use of the GLONASS system for 2012-2020”, the federal target program “Social-economic development of the Republic of Crimea and the city of Sevastopol until 2020”; 9.4% health care, 7.6% sea transport; 6.2% communal construction, etc. [4]. In the total volume of investment the production complex objects are 51.2%; objects of social complex – 33%; and a special complex – 15.8%.

3 Results

To date the structure of the Russian economy has the following negative trends:

- increasing the share of stocks and intermediate products in gross output;
- outrunning decline in production in the manufacturing industries;
- an increase of energy and raw materials industries;
- significant increase in production energy intensity;
- significant reduction in capacity utilization in many sectors of the economy;
- strong reduction in the volume of capital investment, rapid aging of production equipment;
- high rates of decline in food production.

The main goal of the investment policy of the Russian Federation at the present stage is to create conditions for structural economy reorganization and to establish the import substitution process.

Among the priority areas of the investment policy of the Russian Federation are the following:

- measures to create an attractive investment climate in the Russian Federation to boost private investment;
- measures to improve the efficiency of public investment.

Among the measures aimed directly at the investments inflow can be identified the following:

- creation of a national system for monitoring the investment climate in Russia;
- creation of favorable conditions for accepting foreign capital in the form of a complex consisting of commercial banks, state institutions, foreign capital insurance from political and commercial risks, information and intermediary centers that search for projects and investors, as well as assisting in the execution of transactions.

For the effective implementation of public investment, the implementation of federal targeted programs for the coming years should be based on the following principles:

- refusal to finance projects that are not in accordance with the state priorities;
- balance of investment opportunities with the state investment obligations;
- planning investment obligations of the federal budget in accordance with the division of powers between levels of government in the Russian Federation; inclusion of facilities, construction and modernization of which are of federal importance and are included in the functions of the federal government to the federal target programs;
- maximization of social and economic efficiency of federal investment projects;
- transparency and openness of decisions taken on the implementation of investment projects;
- development of public-private partnership in the field of investment activities;
- introduction of the customers officials responsibility for the investment objectives achievement.

In connection with the need to achieve the state strategic goals for investing in the so-called “growth points”, the priority areas for public investment are:

- modernization and development of the pipeline industry, information and communication industry, transport industry;
- modernization of the utility, with the use of energy-saving technologies;
- investing in the reconstruction of cultural facilities of world and national importance, in order to ensure the competitiveness of “human capital”, as well as in the objects of science, education and health;
- investing in the judicial system infrastructure to ensure its independence;
- formation of a system to support innovation in Russia, transition to an innovative model of economic growth;
- creation of safe living conditions, as well as implementation of environmental measures [7].

4 Conclusions

The current realities of the Russian economy are characterized by a sharp decline in production in all spheres after a long period of the investment process revival that has been occurring almost since 2008. To overcome the existing crisis phenomena, obviously a new approach is needed. A completely new strategy for the country economy development should be the concept of a consistent transition to sustainable development based on resource replacement.

The main reasons for the investment crisis are a financial deficit and negative expectations [2]. On the basis of the foregoing, an effective economic policy aimed at overcoming the investment pause should mainly respond to the following challenges:

- lack of resources for investment;
- negative expectations;
- institutional environment imperfection.

Now the investment decline seems to be a natural consequence of the oil collapse, because of which it is not possible to balance the budget, as well as the sanctions confrontation that worsens the prospects for business activity in the country.

To improve the situation with investments in the Russian economy it is necessary to consider the possibility of economic life various spheres radical liberalization, where the state failed to provide investors with a competitive regime; to restore an investment incentive in some form; and also to develop a credible strategy progress towards abolishing economic sanctions.

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