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## State Investment Policy: Current Status and Development Prospects

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**Abstract.** The scientific article presents the results of a study of the state investment policy of the Russian Federation. The monitoring of the volume of foreign direct investment, the results of international rating studies of the investment potential of Russia, the volume of investment in fixed capital by sources of financing and by types of economic activity was carried out. It is concluded that there are a number of problems that hinder the inflow of not only foreign, but also domestic investments. To increase the investment attractiveness of the Russian economy, the authors is proposed to utilize the experience of the United States in the development of insurance services for domestic and foreign investments.

**Key words:** investment policy, investment attractiveness, rating, fixed capital, economic development, investment insurance, state

**Conflicts of interest:** The authors declared no conflicts of interest.

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## Introduction

The state investment policy is aimed at creating favorable conditions for investors and contributes to the economic growth of the country, improving the welfare of citizens. Improving investment policy, creating favorable conditions for both domestic and foreign investors will attract additional financial flows to the



country's economy, as well as increase the efficiency of using public investments by redistributing them.

Attracting investments directly depends on the investment climate of the country, which is formed under the influence of many factors, such as economic, political, legislative and legal, and a number of others. The state investment policy of a country can be based both on its own historical experience and the experience of foreign states.

**The purpose of the research** is to monitor the investment state of the economy of the Russian Federation and determine the direction of improving investment policy.

**Research methods** include general scientific methods and approaches, primarily systemic, legal, comparative, as well as situational and statistical analysis, information-analytical and graphical methods.

## Results

Implementation of major investment projects in Russia in such regions as Kaluga Region, Krasnodar Territory, Khanty-Mansiysk Autonomous Okrug, etc. This led to the creation of additional jobs, modernization of production, growth of the gross regional product, and improvement of the welfare of the population.

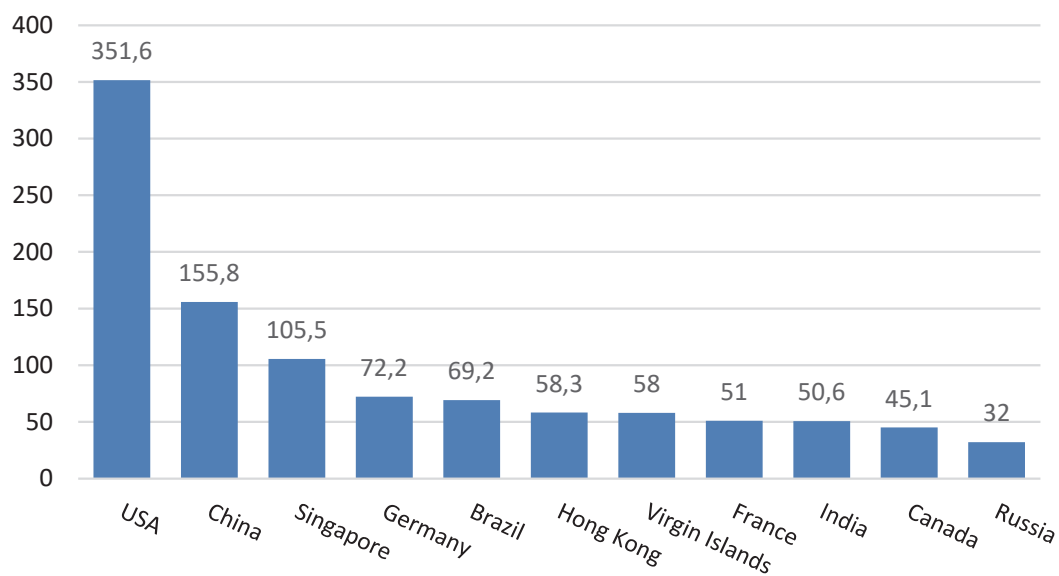
The creation of a favorable investment climate is considered as a priority goal to increase the level of regional development, allowing to activate the entrepreneurial initiative. This tool assumes a systematic approach to managing the investment potential of the territory by reducing the level of investment risk while increasing investment attractiveness [1].

The main goal of Russia's economic development is to achieve sustainable economic growth, which involves the modernization of fixed capital, the introduction of innovative technologies in the production and management activities of economic entities, digitalization of all spheres of the national economy, allowing for a high level of competitiveness in the long term.

Consequently, the development of regions should go in the direction of scientific and technological progress and manifest itself in an increase in social wealth, that is, the totality of objective and subjective conditions of life support and human activity, production, society, and the state [2].

The current trend in the development of the national economy is digitalization, which makes it possible to expand the capabilities of companies in all spheres of activity and sectors of the national economy. The rapid development of Internet technologies, the activation of digital startups, the need to increase the level of competitiveness of Russian companies in the international market, predetermines the transformation of established ways of doing business, causes the need to adapt business, management, communications based on digitalization [3].

Universal digitalization and the formation of conditions for the inflow of investments are the main trends of modern state economic policy. The Russian market is extensive and is of interest to foreign investors, nevertheless, according to the World Bank, in 2019 the Russian Federation ranked 16th in the ranking of countries in terms of foreign direct investment among the leading economies of the world, such as the United States and China (fig.1).



**Fig. 1.** Ranking of countries in terms of foreign direct investment in 2019, billion US dollars [4]

The volume of attracted investments largely depends on the prevailing conditions in the recipient country's economy. Thus, the rating of the global competitiveness index considers such components as the creation of favorable conditions for doing business, the level of development of markets, human capital, innovative opportunities (table 1).

The rating data allow us to conclude that Russia has advantages in a number of indicators compared to the United States — in the introduction of ICT, China — in the labor market and education, Singapore — in terms of market size. However, Russia ranks 43rd in the overall ranking, which indicates the need to develop market institutions, expand infrastructure, develop consolidated economic zones, technopolises and technoparks, etc.

Table 1

**Comparative assessment  
of countries' performance  
in terms of the global competitiveness index in 2019,  
place in the ranking**

Indicator / Country	USA	China	Singapore	Russia
<b>Position in the overall rating</b>	2	28	1	43
<b>Creating favorable conditions</b>				
Institutes	20	58	2	74
Infrastructure	13	36	1	50
Introduction of IT	27	16	5	22
Macroeconomic stability	37	39	38	43
<b>Markets</b>				
Commodity market	8	54	2	87
Labor market	4	72	1	62
Financial system	3	29	2	95
Market size	2	1	27	6
<b>Human capital</b>				
Health	55	40	1	97
Education	9	64	19	54
<b>Innovative environment</b>				
Business activity	1	36	14	53
Innovative features	2	24	13	32

Source [5]

Experts of the Doing Business rating consider such conditions for doing business as registration of foreign enterprises, legal protection of minority interests of investors, as well as the others indicated in Table 2 as constraining factors for the growth of investment activity in the Russian Federation.

As a result of studying international ratings of investment attractiveness, it can be concluded that Russia has a number of competitive advantages, second only to the leading economies of the world. It should also be noted that in some industries, Russia can compete with them.

Table 2

**Comparative assessment of countries' indicators  
in the "Doing Business" rating in 2019,  
place in the rating**

Indicator /Country	USA	China	Singapore	Russia
Company registration	53	28	3	32
Obtaining a construction permit	26	121	8	48
Connection to the power supply system	54	14	16	12
Registration of property	38	27	21	12
Getting a loan	3	73	32	22
Protection of minority investors	50	64	7	57
Taxation	37	114	8	53
International trade	36	65	45	99
Contract enforcement	16	6	1	18
Resolution of insolvency	3	61	27	55
<b>In the overall rating</b>	<b>8</b>	<b>46</b>	<b>2</b>	<b>31</b>

Source [6]

The coronavirus pandemic and quarantine measures had a negative impact on international investment activity. As James Jean, Director of the Department of Investments and Enterprises of UNCTAD, noted: "The coronavirus pandemic, coupled with historically low oil prices, put pressure on investments, which led to their decline" [7].

It is also emphasized that "foreign direct investment in the world collapsed in 2020, falling, according to estimates, by 42% to 859 billion US dollars, compared with 1.5 trillion US dollars, which they amounted to in 2019" [7]. It should also be noticed that by the end of 2020, the volume of investments was more than 30% less than after the global financial crisis in 2009.

However, it is worth noting that several countries have recorded an increase in investment, in particular foreign direct investment. One of these countries is China, where in 2020 foreign direct investment increased by 6.2% and amounted

to 999.98 billion. yuan, which is 14.38 billion US dollars, as evidenced by data from the Ministry of Commerce of China.

For a more detailed analysis and assessment of Russia's international investment activity, it seems necessary to consider separately investments coming abroad and foreign direct investment (investments coming into the Russian economy). Table 3 presents data reflecting the volume of foreign direct investment in the Russian economy.

Table 3

**Foreign direct investment  
in the Russian Federation by partner countries,  
million USD**

Indicator	Years					Growth rate 2020 by 2019, %
	2016	2017	2018	2019	2020	
Total by country, including:	32539	28557	8785	31975	9479	29,6
CIS countries	522	114	197	192	82	42,7
non-CIS countries	32017	28444	8588	31783	9396	29,6

Source [8]

An analysis of the data in Table 3 for the period from 2016 to 2019 allows us to conclude that the largest volume of foreign investment came in 2016 — \$ 32.5 billion, in 2018 there was a sharp decline in investment, up to \$ 8.8 billion. To a large extent, the current trend is explained by geopolitical risks and business concerns due to possible new sanctions restrictions. However, in 2019 there is a sharp increase in investments, the increase this year was 263.6%. The largest number of investments from the CIS countries came in 2016 — \$ 522 million, the smallest in 2019 — \$ 192 million. From non-CIS countries, the largest volume of investments was received in 2016 — 32 billion US dollars. It should be noted that the largest volume of foreign direct investment comes from non-CIS countries. In 2020, the risks associated with the global COVID-19 pandemic had the greatest impact on the decline in investment.

According to the Bank of Russia, Kazakhstan is a major investor in the Russian economy among the CIS countries, in general, the volume of investments amounted to 933 million US dollars, among the non-CIS countries — Singapore (21326 million US dollars), the Netherlands (15434 million US dollars), the United Kingdom (15009 million US dollars) and the Bahamas (US\$ 14664 million) [9].

In 2020, the global trend of reducing the volume of exports and imports of investments is supported by Russia, reducing the investment flow to 30%

of the previous year's level (table 4). In general, the Russian Federation invests more in other states than it receives investments from abroad. In addition, Russia has a clear ally — Kazakhstan, with which we share a leading position in investing among the CIS countries. Kazakhstan is the country to which Russia directs the largest volume of investments, at the same time Kazakhstan is the country that invests the largest amount of financial resources in Russia. Among the non-CIS countries, Cyprus is the country in which the largest distribution of Russian investments takes place, but Singapore is the leader in the group of non-CIS countries that invest in the economy of our country.

Table 4

**Dynamics of direct investments  
of the Russian Federation, million USD**

Direction	Year					Growth rate 2020 by 2019, %
	2016	2017	2018	2019	2020	
Export	22 314	36 757	31 377	21 923	5 847	26,7
Import	32 539	28 557	8 785	31 975	9 479	29,6

Source [8]

Monitoring of investments in fixed assets by sources of financing is of interest. The data in table 5 indicate that the fixed capital is financed mainly from its own funds. So, for the period we have chosen for analysis, this indicator has increased by 50%. To a lesser extent, the fixed capital is financed by borrowed funds for 2016-2020. The indicator increased by 19.2%. In general, the growth of the “own funds” indicator is visible, but the situation in the “attracted funds” indicator is unstable. So, if there was an increase in the period from 2016 to 2019, then in 2020 the funds raised underwent a decrease of 0.5%. This is explained by the fact that due to the situation with COVID-19, several restrictions were introduced that greatly affected the entrepreneurial ability of organizations. Since March 2020, the work of self-financing organizations has been suspended, that is, according to the scheme “there are customers, there is money, consequently there is capital”, but due to the restrictions imposed, it became more difficult to follow this principle, however, it was dangerous to resort to raising funds from the outside, since there was a large percentage of that the organization will not be able to repay the loan. In this connection, organizations tried to exist on their own funds, and, this also explains the prevalence of their own funds over those attracted.

Table 5

**Investments in fixed assets in the Russian Federation  
by sources of financing, billion rubles**

Indicator	Year					Growth rate 2020 by 2019, %
	2016	2017	2018	2019	2020	
Investments in fixed assets — total	11282,5	103,3	13640,7	14725,4	15445,0	104,9
Including by sources of financing: own funds	5750,7	106,5	7229,5	8099,1	8527,1	105,3
Attracted funds, of which:	5531,8	5971,5	6411,2	6626,3	6917,9	104,4
- bank loans, including loans from foreign banks	1174,5	1370,1	1531,1	1435,8	1534,9	106,9
	329,4	665,1	604,6	292,8	270,8	92,5
- Borrowed funds of other organizations	674,4	662,9	582,9	709,2	750,2	105,8
- Foreign investments	86,7	95,8	86,5	65,0	50,5	77,7
- Budgetary funds	1856,7	2003,4	2085,8	2385,0	2950,7	123,7
Including:						
- Funds of the federal budget	1048,6	1046,3	1033,4	1124,7	1338,5	119,0
- Funds of the budgets of the subjects of the Russian Federation	681,3	824,5	902,1	1091,7	1430,1	131,0
- Funds of local budgets	126,8	132,6	150,3	168,6	182,1	108,0
- Funds of state extra-budgetary funds	27,8	24,5	27,4	30,0	34,0	113,3
- Funds of state extra-budgetary funds including funds of the population	340,7	400,0	478,6	629,0	505,2	80,3
	264,6	303,7	339,0	457,8	396	86,5
- other	1371,0	1414,8	1618,9	1372,3	1092,4	79,6

Source [9]

Analysis of the data presented in Table 5 shows that the largest share in the funds raised falls on budgetary funds, while by 2020 the indicator increased and amounted to 2846.8 billion rubles. It should also be noted that there is a decline in loans from foreign banks, investments from abroad and other investments. The largest decline is observed in investments from abroad, they have almost halved (49.6%), it is immediately clear that the largest increase was in the budgets of the constituent entities of the Russian Federation — 102.9%. The distribution of fixed capital investments by types of economic activity is of significant interest. The data for analysis are presented in Table 6.



Table 6

**Investments in fixed capital  
in the Russian Federation by type of economic activity,  
billion rubles**

Types of economic activity	Year					Growth rate 2020 by 2019, %
	2016	2017	2018	2019	2020	
Agriculture, forestry, hunting, fishing and fish farming	623,4	705,5	781,5	844,2	855,9	101,4
Mining	2710,4	3023,2	3225,8	3280,5	3300,7	100,6
Manufacturing industries	2103,3	2296,5	2513,2	2707,6	2944,5	108,7
Provision of electric energy, gas and steam; air conditioning	866,0	943,7	1013,0	1033,4	1108,4	107,2
Water supply; sanitation, organization of waste collection and disposal, pollution elimination activities	148,0	147,7	160,8	184,1	236,6	128,5
Construction	443,7	511,5	638,4	682,3	782,2	114,6
Wholesale and retail trade; repair of motor vehicles and motorcycles	637,0	647,2	784,1	723,9	692,2	95,6
Transportation and storage	2424,1	2659,4	3083,0	3315,9	3204,7	96,6
Hotels and catering establishments	93,9	86,7	124,0	101,9	99,2	97,3
Information and communication activities	459,7	478,4	626,6	769,7	869,4	112,9
Finance and insurance	212,6	324,9	379,8	442,1	532,6	120,5
Real estate operations	2604,3	2627,9	2114,3	2854,0	2648,2	92,8
Professional, scientific and technical activities	465,7	494,6	555,3	853,8	1005,5	117,7
Administrative activities and related additional services	90,9	117,8	177,7	281,8	188,5	66,9
Public administration and military security; social security	271,4	285,3	270,9	300,0	377,2	125,7
Education	210,5	225,3	268,8	383,2	445,6	116,3
Activities in the field of health and social services	186,7	198,8	232,3	330,8	580,1	175,3
Activities in the field of culture, sports, leisure and entertainment	184,1	239,8	218,2	212,9	227,2	106,7
Provision of other types of services	13,1	13,1	14,2	26,9	19,7	73,2

Source [9]

Analyzing the data in Table 6, we conclude that in terms of volumes, mining, manufacturing, transportation and storage, and real estate operations remain priority areas for investment. During the period under review, the volume of investments increased in all types of economic activity. The largest growth in 2020 compared to 2019 is accounted for by activities in the field of healthcare — 175.3%, it is also possible to note a significant increase in investments in such areas as financial and insurance activities — 120.5%, professional, scientific and technical activities — 117.7%, education — 116.3%. The lowest growth rate is observed in the indicator “activity in real estate transactions”, for the entire period we studied, the increase was 1.7%. In 2020, there is an unstable situation, since according to such indicators as wholesale and retail trade; repair of motor vehicles and motorcycles, transportation and storage, activities of hotels and catering establishments, real estate transactions, administrative activities and related additional services, provision of other types of services, the volume of investments is reduced. The largest decline is in administrative activities and related additional services, the indicator decreased by 33.1%. According to other indicators, growth is seen, the largest increase in investments is accounted for by activities in the field of health and social services. Due to the current situation related to coronavirus infection, in 2020, the field of health and social services became the most in demand, which explains the largest increase in investment.

### **Discussion**

There are a number of serious problems in the Russian economy that hinder the inflow of not only foreign, but also domestic investments. The study of the total volume of investments in fixed assets by type of economic activity revealed a few priority industries that received the largest volume of investments: mining, manufacturing, wholesale and retail trade, waste collection and disposal, pollution control activities, as well as financial and insurance activities and professional, scientific and technical activities.

Considering global trends, the state investment policy should take into account the export orientation and the payback period of investments; the demand for the results of research activities, the global goal for a “green economy”, the development of a closed-cycle economy.

The current shortage of many types of resources, the increase in prices for their extraction, production and preparation for the production process does not allow many economic entities to achieve high results in their activities. Thus, the use of the principles of reducing resource intensity and increasing efficiency at various levels of economic management determine the strategy of resource conservation processes. [10]

To attract foreign capital, it is necessary to ensure the inviolability of foreign investments and compliance with international legal norms related to the settlement of investment issues [11].

Russia is interested in the US experience in the development of insurance and investment protection services for both domestic and foreign investors. As an example, we can cite such corporations as Securities Investor Protection Corporation, the U.S. International Development Finance Corporation, and others that help novice investors and already experienced organizations. In particular, the International Finance Corporation provides insurance services against political risks, which include risks such as currency non-convertibility, state intervention and political violence. There is no such organization in Russia, but there is an organization “Russian Agency for Insurance of Export Credits and Investments” operating on the basis of the Decree of the Government of the Russian Federation dated 11/22/2011 No. 964 “On the procedure for carrying out activities to insure and secure export credits and investments from entrepreneurial and political risks” and insuring export credits and investments from business and political risks. That is, this organization provides services only to Russian investors and their foreign counterparties. The specifics of the activity of this organization are, firstly, that it provides services only for export investment and, secondly, provides insurance only for two types of risks: entrepreneurial and political.

The presence of an insurance system for foreign and domestic investors on the territory of the Russian Federation will become one of the key aspects of the growth of investment in the Russian economy. Therefore, it seems necessary to develop a mechanism for providing insurance services for domestic and foreign investors. Also, in our opinion, it is necessary to expand the list of types of investment risks subject to insurance and to make an open list of insurance cases. The existence of such a mechanism will provide an investor with a guarantee to protect their rights and interests and will help attract new investors on a long-term basis.

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## **Государственная инвестиционная политика: современное состояние и перспективы развития**

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**Аннотация.** Изложены результаты исследования государственной инвестиционной политики Российской Федерации. Проведен мониторинг объемов прямых иностранных инвестиций, результатов международных рейтинговых исследований инвестиционного потенциала России, объемов инвестиций в основной капитал по источникам финансирования и по видам экономической деятельности. Сделан вывод о наличии ряда проблем, тормозящих приток не только иностранных, но и отечественных инвестиций. В целях

повышения инвестиционной привлекательности российской экономики предложено использовать опыт США по развитию услуг страхования отечественных и зарубежных инвестиций.

**Ключевые слова:** инвестиционная политика, инвестиционная привлекательность, рейтинг, основной капитал, экономическое развитие, страхование инвестиций, государство

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