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PRIORITY STRATEGIC DIRECTIONS FOR ENSURING THE
GROWTH OF THE RUSSIAN ECONOMY

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Abstract

The article discusses the long-term priorities, goals and objectives of public administration, the priorities for ensuring sustainable and balanced socio-economic development of Russia. The authors argue that in the strategic perspective, Russia's GDP can grow by 6-8% per year. At the same time, according to forecasts, the extractive industries of the economy will grow slower, and the processing industries can provide growth of more than 10%. According to forecasts an important sector for the growth of the country's economy is investment mechanical engineering. In order to ensure economic growth of 6-8% of GDP, it is necessary to attract financial resources in the amount of 10 trillion rubles to the Russian economy by the year 2025. The measures proposed by the authors to improve the structural and investment policy allows implementing a set of steps aimed at smoothing the imbalances in the sectoral and technological environment which are not eliminated by market mechanisms and greatly complicate intersectoral interactions. The article defines the problem of relatively small stratum of specialists having the highest and medium qualifications. The most important elements of the structural transformation of the economy are the introduction of an online data transfer system for retail sales based on the use of special cash registers, the formation of a unified administration mechanism for tax and customs payments. The proposed measures provide an increase in the collection of insurance premiums and allow completing the connection of the Unified State Automated Information System for wholesale and retail trade.

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Keywords: Budget policy, efficiency, external factors, knowledge economy, strategic perspective, structural and investment policy.



1. Introduction

In a strategic perspective, the improvement of the structural and investment policy is becoming one of the most important factors of Russia's economic growth, since the accumulated problems in the economy are not eliminated by traditional market mechanisms. At the same time, in our opinion, at the first stage of the strategic development of the Russian economy until the year 2021, it is necessary to increase funding for those sectors of the economy that cannot receive optimal financing through traditionally market mechanisms, and in the subsequent period until the year 2025 to include regulatory mechanisms (Aganbegyan, 2018).

The strategy of the socio-economic development of the Russian Federation for the period up to the year 2025 defines strategic directions that contain a system of long-term priorities of the goals and objectives of public administration aimed at ensuring sustainable and balanced socio-economic development of Russia. According to our estimates, if the available opportunities are used, in future the Russian economy can provide growth of 6-8% per year. At the same time, the extractive industries of the economy are projected to grow more slowly, and the processing industries can grow by more than 10%, since they are significantly lagging behind the developed countries of the world. According to forecasts, an important sector for the growth of the economy of the country is investment mechanical engineering, if market conditions for demand and interest rates are created.

The main directions of the budget policy for 2019 and for the planning period until 2021, prepared by the Government of the Russian Federation taking into account the conditions achieved in the country during the pre-planning period, contain the country's development guidelines for the strategic development period of 2019-2021. The main directions of the budget, in our opinion, take into consideration the provisions of the presidential decree V.V. Putin's May 7, 2018 "On the national goals and strategic laws of the development of the Russian Federation for the period up to 2021" and the message of the president to the Federal Assembly of the Russian Federation for the period of 2019-2021 (Aganbegyan, 2017). The budget provides for the creation of a stable, predictable environment with a low level of susceptibility to external conjuncture, with a low level of inflation and interest rates, with a stable tax system. The budget of Russia is aimed at eliminating structural imbalances and reducing barriers to ensure investment attractiveness, to improve the quality and effectiveness of human capital development and public administration. In the near future, it is planned to expand the range of industries with positive dynamics of activity. In a strategic perspective, industries that meet domestic demand, such as the light and food industries, and the production of household appliances, will be added to the export-oriented industries.

2. Problem Statement

At present, the external dangerous conditions and opportunities for economic growth in Russia remain multi-level. The recovery of the global economy is accompanied by a tightening of the conditions for the functioning of various international projects. The growth of economic activity in the global market, both in developed and developing countries, occurred in different directions. At the same time, according to the IMF (Aganbegyan, 2018), in 2018 the growth of the world economy will be 3.9% while

maintaining a positive dynamic in a strategic perspective, although cyclicity associated with overcoming the debt crisis is not excluded.

Over the past 25 years, Russia lagged far behind in its development from the European Union, the United States and other developed countries. Overcoming this gap requires an economic growth rate of at least 4-5% over a long period. In his Address to Federal Assembly President of the Russian Federation V.V. Putin indicated that by 2035 Russia's GDP should grow 1.5 times due to increased labor productivity, increased investment in the modernization of production and technological renewal of industry (Golovina, Popovicheva, & Avdeeva, 2016). It is necessary to ensure productivity growth in medium and large enterprises of at least 5% per year, as well as to bring the contribution of small enterprises to the GDP structure up to 40%. Since 2016, in the Russian economy there have been positive developments in a number of areas: industrial development, investment growth, lower inflation, wage growth, pensions, and average annual per capita income. Despite the fact that the implementation of national projects in Russia ensures the growth of production in certain areas, in 2017, according to Rosstat, economy grew by 1.5% (Aganbegyan, 2018). In 2018, Ministry of Economic Development expects a growth of 2.1%, the world economy over the same period will grow by 3.1%.

In a strategic perspective until 2025, it is necessary to improve the structural and investment policy, to develop and implement a set of measures aimed at smoothing the imbalances in the sectoral and technological environment that are not eliminated by market mechanisms and greatly complicate intersectoral interactions. Relatively small stratum of specialists with the highest and middle levels of qualification presents a problem, since it does not ensure the quality of production and an adequate level of management.

The forecast of the country's labor resources development shows that Russia will not face the problem of a shortage of labor resources in the long term. Due to transition to a digital economy in a strategic perspective, there might be a slight surplus of labor resources, which would be used in newly created high-tech enterprises. At present, the analysis of the labor resources reserve shows that the share of low-skilled labor is high which is comparable to such countries as Bulgaria and Turkey. The most important reserve for replenishing human capital and increasing the period of economic activity of the population is improving the quality and duration of active life. It is possible to provide additional labor resources in the amount of 4-5 million people, which will bring Russia closer to the average European countries. In the strategic period until 2035 the country's GDP growth by 8% could be ensured only through the effective use of human capital.

3. Research Questions

On the one hand, Russia cannot infinitely increase investment in the structure of GDP, but there are all possibilities to ensure production growth to the required level in such a way as to ensure the growth of the population's standard of living. The balance between capital investment and the economy of knowledge in human capital may well be achieved. In 2017, the volume of investment in fixed assets reached 16 trillion rubles. To accomplish the target task until 2021 and in subsequent periods, an additional 2.5 trillion rubles is needed. In Russia as a whole, in 2017 the amount of financial resources allocated for the development of human capital is insufficient, and amounts to 11 trillion rubles, which

necessitates a search for additional monetary resources in the amount of 1.6 trillion rubles during the period up to 2025 (Larionov, Metechko, Davydov, & Davydov, 2018). The reorientation of financial resources towards the development of core and human capital above listed values makes it possible to reduce the service life of technological equipment to the normative one and ensure the payback period of investments over 5-7 years.

Changes in the structure of fixed capital provide for the construction of new enterprises, the commissioning of high-tech industrial enterprises, the production of synthetic materials, nuclear engineering, shipbuilding, aircraft manufacturing, pharmaceuticals and electronics with a payback period of 10-11 years. In connection with the annual growth of the country's GDP by 4-5%, new opportunities appear to begin large-scale construction of high-speed railways, expressways, as well as modern infrastructure of the national economy and transport-logistics centers with a payback period of up to 20 years. Of particular importance for the strategic development of the country's economy for the period up to 2025 is a social and residential construction. During the coming 7 years, the above-mentioned directions could be doubled with the improvement of life in cities and township areas.

At the beginning of the first strategic period of development of the Russian economy from 2019 to 2021, the financial sector can have the greatest effect, i.e. target loan resources available in banks and other monetary institutions. The scale of the infusion of loan resources into the economy and their sequence is ensured by administrative means accompanied with indicative planning and mechanisms of private-public partnership. In the subsequent period, when investments expand production and increase its efficiency, it is advisable to include mechanisms that ensure the growth of income and savings of the population. For the promotion of this mechanism it is necessary to provide financial resources in the amount of 1.5 trillion rubles a year. The experience of China shows that the amount of loan money infusion in the initial period was five times greater than the increase in production.

4. Purpose of the Study

In order to further ensure economic growth in Russia, it is necessary to invest in fixed capital in combination with investments of the "knowledge economy" in human capital which will provide 80% of GDP growth. A survey showed (Ivanter, 2017) that the development of business and economic growth in the country is constrained by internal factors, namely, the problems of direct and indirect regulation. So, 35% of respondents answered that direct and indirect regulation hinders the development of business "definitely yes" and 53% "rather yes". Studies show (Aganbegyan, 2017) that the maximum rate of growth of Russia's GDP can be achieved by boosting investments in fixed and human capital, since they are the basis of the country's socio-economic growth. However, due to the efficient use of raw materials, small growth can be achieved. The country's growth is constrained by outdated funds, machinery and equipment, whose average life is currently about 14 years, and 23% of them should have been replaced long ago, since they are working beyond the standard period. To ensure Russia's economic growth above the world level in 2013-2019, in connection with the formulation of the problem by V.V. Putin, it is necessary to accelerate GDP growth in the amount of 3.5-4% (Kudrin, 2017). This is explained by the fact that in 2018, investments in fixed and human capital will be 8-10%.

5. Research Methods

A.N. Klepatch, Head of Laboratory of Central Economics and Mathematics Institute of the Russian Academy of Sciences, and V.M. Polterovich, Deputy Director of MSE of Moscow State University made a huge contribution to the development of the theory of ensuring economic growth in Russia. V.V. Ivanter, Director of the Institute for Economic Forecasting of the Russian Academy of Sciences (RAS), B.Yu. Titov, the authorized representative for protection of the rights of entrepreneurs under the President of the Russian Federation, Ya.M. Mirkin, Head of the Department of International Capital Markets IWEIR RAS (Institute of World Economy and International Relations), A.G. Aganbegyan, Head of the Department of Economic Theory and Policy, RANEPA; A.O. Alekhnovich, Director of the Institute of Economic Growth named after P.A. Stolypin, M.A. Eskindarov, Rector of the Financial University under the Government of the Russian Federation, M.Yu. Golovnin, First Deputy Director of the Institute of Economics, RAS and many others made a practical contribution to the development of the Russian economy and the identification of growth points.

6. Findings

When making the structural and investment policy of Russia, it is necessary to improve the mechanism of financing investments towards investment capital and the knowledge economy. It is necessary to include a mechanism of financial resources overflow in the set of measures to improve the structural and innovation policy to solve the problems of development of promising sectors of the economy:

- the use of energy in the commodity sector as a base for economic growth, excluding from them excessive investment projects;
- the financial and economic mechanism should ensure the acceleration of GDP growth rates and a stable level of the ruble exchange rate in relation to world currencies through the use of the competitive advantages of the national economy;
- increasing the role of the state in the redistribution of income, not allowing the budget deficit, a stable tax policy and the development of the real sector of the economy;
- development of measures that stimulate the modernization of production in all sectors. The transition to an innovative economy, the implementation of the digitization of the economy.

Research shows that in order to ensure the economic growth of the country by 6-8% annually, it is necessary to attract additional financial resources to the Russian economy by 2025 in the amount of 10 trillion rubles from the following sources (table 01).

Table 01. Share of investment in fixed assets and the knowledge economy in GDP structure and the growth rate of the economy, %

Countries	Share of investment in fixed assets	Share of investment in the knowledge economy in GDP structure	Annual average growth rate of the economy
Developing countries	30-35	15-20	4-6
China	47-50	20	7
Russia (2018-2019)	17	13	
GDP growth forecast for Russia with an average investment growth of 6-8%	18	12	2.1

1. It is advisable to attract investment loans in the amount of 3-5 trillion rub. The value of bank assets currently stands at 83 trillion rubles. Therefore, it is realistic to involve the banking system in solving the tasks of the socio-economic development of the country (Ivanter, 2017).

2. One of the most important sources of economic growth in the country is the use of gold and foreign exchange reserves for the renewal of existing industries. According to calculations (Ivanter, 2017), it can be an investment loan for 5-7 years. Of the total amount of gold and foreign exchange reserves, which are more than 400 billion dollars, 15-20 billion dollars could be used, that is equal to the sum of 1 trillion rubles a year with the subsequent replenishment of reserves (Table 02).

Table 02. Countries of the world with the largest amount of gold reserves, as of July 16, 2018, tons

Countries	1990	2000	2010	2018
USA	8146.2	8136.9	8133.5	8133.5
Germany	2960.5	3468.0	3401.0	3371.0
IMF	3217.0	3217.3	2814.0	2814.0
Italy	2073.7	2451.8	2451.8	2451.8
France	2545.8	3024.6	2435.4	2436.0
Russia	–	384.4	788.6	2170.0
China	395.0	395.0	1054.1	1842.6
Switzerland	2590.3	2590.3	2419.4	1040.0
Japan	753.6	763.5	765.2	765.2
The Netherlands	1366.7	911.8	612.5	612.5
India	332.6	357.8	557.7	561.9
Total gold reserves of the world, incl. Eurozone with ECB gold	35582.1	33059.9	30534.5	33764.0
	–	12426.9	10785.5	10779.5

3. Another source of financing the country and ensuring economic growth is money from the privatization of state property in the amount of 1 trillion rubles per year. It is advisable to allocate them for the implementation of payback projects at a credit rate of 3-5% per annum. Budget expenditures that cover the amount of privatization can be replaced by loans from state banks (Kudrin, 2017).

4. Currently, in the Russian Federation, business structures provide about 50% of investments, about 40% of them are taken from profits, which account for 24% of the tax. It would be advisable to

exempt enterprises from the part of income taxes and direct it to their investment support. It also became necessary to reduce the depreciation period in order to update the funds.

5. At the present stage, the population of Russia has about 30 trillion rubles within the country, and about 700 million dollars abroad. It would be advisable to attract about 3 trillion rubles by issuing bonded loans for the construction of infrastructure facilities and innovative enterprises.

According to population surveys (Ivanter, 2017), among the external constraints of business development, respondents called inability to compete in international markets 28% “definitely yes” and 50% “more likely yes”. In the course of the survey, 41% of respondents noted the presence of the state in the Russian economy: budget investments, state corporations, companies and banks with state participation should be provided at current levels. 47% replied “rather not” to the question “Can modernization of the Russian economy occur without opening an economy and an intensive inflow of capital into all sectors, including fuel and energy complex?” 85% of respondents answered “definitely not” to the question “Can modernization of the Russian economy occur without improving the quality of Russian institutions?” 59% of respondents answered “definitely not” to the question “Can modernization of the Russian economy occur only with the leading role of the state, which will be determined by “breakthrough” directions?”

The forecast period for ensuring Russia’s economic growth is divided into two phases. The first forecast period of strategic planning continues from 2018 to 2021, when Russia’s GDP growth rates are secured by fixed and human capital. The growth rate from 2021 to 2025 reaches 8.7% (Artemova, 2017). In the second period after 2025, growth will be driven by exports. During this period, it is necessary to create new industries in the country, as well as to increase the efficiency of the production itself.

As a result of the implementation of the above activities for the coming period in Russia, it is necessary to form an effective structure of GDP, where economic growth will consist of three components: high-tech production, manufacturing sectors of the economy, a developed segment of non-production services and a segment with high production services. With this structure, the contribution of science, education and health to GDP will increase by more than 2 times, which is associated with an increase in investments in human capital and the economy of knowledge.

The survey shows that the range of industries with positive dynamics of economic activity is expanding. Improving business sentiment contributes significantly to the restoration of investment activity to the specified parameters. Due to the slowdown of inflation at an acceptable level of up to 4% per year, labor incomes of the population returned to positive dynamics, positive dynamics is also evident in consumer sentiment, and wage growth accelerated in 2018 to 9% (Leonova, Kryukova, & Mironenko, 2016).

Despite the above positive trends in the development of individual sectors of the economy, the incomes of the most vulnerable segments of the population remain low, and they need to be raised to the optimum level. Due to significant structural constraints, the growth of investment activity is not fast enough (Jang, Choi, Kim, & Chang, 2012). Positive and necessary conditions for economic growth and macroeconomic sustainability are the introduction of new fiscal rules while maintaining additional oil and gas revenues above \$ 40 per barrel and the Bank of Russia regulating operations in the foreign exchange market as a tool for optimal economic growth.

In the strategic perspective, at the first stage from 2019 to 2021, the introduction of new information technologies and the formation of a single information space of management can significantly increase the collection of budget revenues without increasing the tax burden for business structures.

As research shows, the most important elements of the structural transformation of the economy are (Vikulenko & Kolesnikov, 2018):

- introduction of an online system for the transmission of data on retail sales based on the use of special cash registers;
- formation of a unified administration mechanism for tax and customs payments, which ensures traceability of goods at various stages of the life cycle from delivery across the border to retail trade or from a Russian producer to an exporter;
- improvement of the collection of insurance premiums for ensuring the overall administrative burden on business structures and optimizing its amount;
- ultimate connection of the Unified State Automated Information System to wholesale and retail trade, including the alcohol market, which makes it possible to increase the amount of excise receipts by 10-15%;
- programs for the de-offshore of the Russian economy, which ensures the return of significant Russian capital from abroad back to the country and reduces the export of capital from countries through the use of de-offshore standards applied to individual taxpayers;
- improving the efficiency of state-owned companies ensures an increase in the return of share capital according to uniform dividend policy principles (the minimum standard is 50% of net profit under IFRS);
- lack of developed common principles of debt policy of companies with state participation acts as a deterrent to the development of the country's economy;
- for the period up to December 31, 2027, an investment tax deduction was introduced, which gives taxpayers the right to reduce the numerical amount of income taxes by the amount of expenses associated with the creation or modernization of fixed assets.

In the nearest strategic perspective for 2019-2021, activities ensuring the operational efficiency of the use of budgetary funds come to the forefront. In order to implement this crucial task, the Government of the Russian Federation is planning a phased introduction of treasury escort of government expenditures and agreements with a contract, including those by state defense order. Under government contracts related to the construction of expensive capital construction projects, it is advisable to carry out extended treasury escort with direct control over the actual fulfillment of the contractor's obligations with video recording of all amounts of work. The time has come to put into practice the already prepared regulatory framework for operations with the use of treasury security obligations with bank support of funds.

In the sphere of implementation of the state investment policy, a positive point is the provision of registering the federal targeted programs of budget investments and subsidies, which expands the possibilities of their effective use and deadlines. The new mechanism, launched with the placement of

federal budget funds, allows increasing the demand for federal budget funds and the timeframe for placing temporarily free balances in a single federal budget account (Ivanter, 2017).

7. Conclusion

In the strategic period of development until 2025, Russia should not focus only on economic indicators. They need to be supplemented with a system of supporting measures of the following nature: in the system of priority measures ensuring economic growth, there should be a reduction and keeping inflation at around 3% per year, the key rate by the end of the first period to 2021 should be brought to 4%. A necessary condition for economic growth is the development of a presidential program that could hold back the rise in prices of state-owned corporations providing services: the supply of electricity, gases, water, utilities services and other life-supporting services, as well as finding ways and internal reserves to reduce the cost per unit of production and services.

The practice of developed countries shows that without a low interest rate it is very difficult to ensure the growth of an investment loan and its payback in the “knowledge economy”, since the Central Bank, VEB and other financial and credit institutions have very tight timeframes for returning monetary resources.

The most important direction of economic growth and investment efficiency is the transition to project financing of technological renewal and the introduction of new capacities in high-tech industrial enterprises, the development of a system of measures ensuring the conditions for the implementation of the tasks, among which the most important are tax and customs privileges for the period of technical renewal (Mineeva, 2018). Simultaneously, it is necessary to develop a system of measures ensuring the growth of the competitiveness of domestic enterprises through stimulating activities.

A necessary condition for systemic measures ensuring economic growth is institutional transformations that provide favorable conditions for investment and the removal of barriers by reducing the volume of nationalization of the economy, increasing the independence of the regions: at least 2/3 of them should transfer to self-government, ensuring payback and self-financing, and for the remaining 1/3 of the regions in the second period from 2024 to 2035 financial support should be provided with the help of the territorial marketing development projects, the long-term lending could bring them to the level of self-financing. All the suggested measures should be planned, project-oriented and tightly controlled by state bodies.

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