

TRENDS AND PROSPECTS FOR FURTHER DEVELOPMENT OF INVESTMENT PROCESSES IN RUSSIA AND ITS REGIONS AT THE PRESENT STAGE

Olga Sokolova¹, Ilya Aleksandrov^{1,*}, Natalia Mityaeva², Svetlana Zakharova¹

¹ *Saratov State Technical University named after Gagarin Yu. A., Saratov, Russia*

² *Saratov State University named after N.G. Chernyshevsky, Saratov, Russia*

* *Corresponding author. Email: antinomius@mail.ru*

ABSTRACT

The article attempts to assess the impact of investment processes on the development of the Russian economy at the present stage. The diversification of regions when it comes to economic growth rates is largely due to the dynamics of investment processes as well as the erratically characteristics of the investment climate. Investment-attractive regions, formed as an economic core, have all the prerequisites for further economic growth alongside attracting investment. The regions with the highest investment risk and low economic potential despite the support measures taken by the state, still remain at risk having a small amount of investment being attracted. To bridge the gap in investment processes between regions, the Government calls for paying thorough attention to the challenging aspects of each region and take an individual approach towards the formation of innovation and investment infrastructure in every region. The onset of the COVID-19 pandemic in 2020 led to an alteration in most forecasts alongside the conditions for investment activities and prospects for the development of investment processes. In the meantime, as far as the medium-term growth of the Russian economy is concerned, there are quite favorable conditions, regardless of the current economic sanctions and the consequences of the pandemic caused by the COVID-19 coronavirus infection. The key issue in terms of the investment area is the lack of readiness of most regions for large-scale investment projects and the low interest of private investors. This study shows the significance of a balanced development of investment processes, the necessity to provide targeted support to the least investment-attractive regions and the overall improvement of the investment climate. The core directions of investment processes and their impact on the economy are highlighted. The main problems alongside possible prospects for the development of investment processes in Russia taking into account the new realities are outlined. The improvement of the investment mechanism will contribute to the creation of competitive products, the development of production capacities and the increase of the country's economic potential amid coronavirus restrictions and in the post-pandemic period all in all.

Keywords: *COVID-19 pandemic, investments, investment processes, investment attractiveness, investment climate, investment potential, investment policy, investment policy implementation mechanism, investment infrastructure, regional economy.*

1. INTRODUCTION

At the present stage investment alongside the investment activity are among the key conditions towards the development of the country's economy. There is an objective need to develop investment processes with a view to creating a competitive economy of the country on the basis of creating or improving the most optimal investment infrastructure and ensuring the transition to an innovative orientation of the Russian economy in the

context of globalization and the development of the digital economy [6, p. 30].

The specifics of investment processes in Russia and its regions alongside the impact of state policy on their development are an extremely urgent problem for the Russian economy in recent decades. What is more over the last years an unfavourable economic and political situation has been developing in the country, increasing the uncertainty of the results of investment activity both

within the country and from potential foreign investments. Meanwhile an important place for building investment potential is occupied by the investment climate, on the basis of which the investment attractiveness of both an individual industry or sphere and the country as a whole is determined.

When it comes to Russia, the high role of investment and the development of investment processes is particularly relevant in terms of escalating problems caused by the existing structural production imbalances and a large number of uncompetitive products on the world market, with the exception of several industries.

Investment processes and their features in Russia have already been analyzed in various specialized publications and periodicals, reference literature, as well as by such authors as: M.V. Kiseleva, G.P. Podshivalko, V.E. Barbaumov, M.I. Rimer, I.A. Blank, O.V. Berezuev, A.V. Karpov, O.A. Shaporova, I.G. Parshutina, O.A. Bulavko, G.I. Moskvitin so on.

Despite the large number of studies of investment processes in Russia, the continuation of research on this topic is particularly relevant due to changes in most forecasts and conditions for investment activity and prospects for the development of investment processes after the onset of the COVID-19 pandemic in early 2020.

- Investment processes in the country should become part of the overall investment policy, which is aimed at such strategic goals as:
- increasing interest in predictive evaluation of the effectiveness of the investment process;
- expanding the range of sources of investment, including both private domestic savings and income from abroad;
- focusing on economic restructuring of economic sectors that lag behind world standards;
- overcoming the consequences of the COVID-19 pandemic;
- promoting the development of small and medium-sized businesses, so on.

During the economic restructuring with regard to quarantine restrictions as well as a decline in activity in the majority of industries the role of companies' own funds in financing capital investments has significantly increased and the role of bank lending has declined, which inevitably leads to an alteration in the structure of investments and their dynamics in the coming years.

Thus, the improvement of the investment mechanism will contribute to the creation of competitive products, the development of production capacities and an increase in the economic potential of the country under coronavirus restrictions and in the post-pandemic period.

2. INTRODUCTORY PART

Investment activity is a key factor in the development of the economy. Diversely directed investments stimulate the growth of production efficiency, accelerate the turnover of variable capital, improve the structure of production and existing business processes, which ensures economic growth at both the micro- and meso- and macro-economic levels.

Investments are usually seen as the investment of funds (capital, tangible assets) to make a profit. Investments are usually a launching pad for potential economic processes that can manifest themselves in a variety of forms. Investment goals are achieved during the implementation of the investment, that is, the investment process [1].

The investment process can be characterized as a complex of processes and actions that make up investment activity. Thus, the investment process is the process of making investments in real or financial assets in order to generate income in the long term or to solve the tasks of socio-economic development [4, p. 13]. In investment projects, the following stages of the investment process can be distinguished:

- setting goals, determining priority areas and available investment methods;
- coordination of volumes, specification of deadlines, distribution of responsibilities and responsibilities of participants;
- licensing of investment activities and conclusion of contracts with counterparties;
- fixing the equity participation in the investment capital and developing criteria for determining the shares in the potential profit from the project, so on.

Nevertheless, investment processes are not able to exist as an independent structure. The fundamental elements of investment processes are: interested investors, objects potentially attractive for investment, a favourable investment environment, the legal framework for the implementation of investment activities, a motivating and stimulating investment climate.

Traditionally, the investment climate is understood as a set of factors that demonstrate investment "profitability" and investment risks at a specific time and on a specific territory. The investment climate characterizes the level of financial attractiveness.

As the goal of its activities in the field of investments and investment processes the State declares the formation of favourable economic conditions for the development of investment activities of various entities. It can be highlighted that the attractiveness of the investment environment to a significant extent depends on the tax and financial and credit policy of the state. The alteration

in the characteristics of the investment climate is "provoked" by potential changes in legislation, tax, financial and economic spheres, the dynamics of the overall level of stability of the economic and political situation in the country [14].

The internal policy of the state in the field of investment is traditionally carried out in the form of a set of measures aimed at increasing the favourable environment for investors, the formation of an effective investment infrastructure, in the form of targeted financing of capital investments at the expense of the budget. The state can also issue targeted bond and investment loans, guarantee state support for projects and maintain an optimal level of investment climate in the regions.

Hence in investment activities, the state can act not only as a regulator or a full-fledged investor, but also as an initiator of investment activities that have a socially oriented nature. The activity of such a plan can be understood as a factor in creating as well as improving the investment environment that ensures the stabilization of the economic situation and the maintenance of a favourable investment climate [7, p. 73].

The investment legislation currently in force provides for wide opportunities for the application of state regulation of investment activity, and also creates institutional conditions for ensuring the rights and guarantees of participation in investment activities, despite a number of problems specific to Russia, mainly related to changes in tax legislation and the relative instability of the investment climate in many regions of the country [2, p. 134].

All in all, investing is a complex process with constantly changing trends when certain factors change, that most often implies the following aspects:

- the country's position in the international arena;
- the general state and prospects of economic development within the country;
- the level of socio-economic development;
- availability of existing infrastructure in the sectors of the economy, etc.

These factors have the greatest impact on investment processes and the investment climate of the country, which can significantly increase when factors are combined with global crisis phenomena. To improve the investment climate and enhance investment processes in

the country, the government should always take into account the influence of these factors, promote economic growth, create and improve infrastructure in all sectors of the economy as well as developing the legislative framework.

Generally speaking, for the medium-term growth of the Russian economy and the stock market quite favourable conditions have developed, despite the current economic sanctions and the consequences of the pandemic caused by the COVID-19. The potential positive effect of the stimulating measures of the Russian economy, the OPEC+ agreement reached and also the consolidation of the Russian coronavirus vaccine as the world's leading vaccine can significantly accelerate the recovery of the Russian economy in 2021-2022. The key risks are still associated with the threat of new sanctions against Russia and the deterioration of the epidemiological situation in the country and the world, which will inevitably affect the investment attractiveness of many sectors of the economy.

3. ANALYTICAL PART

One of the core indicators of investment development in the country is the dynamics of investments in fixed assets. From 2010 to the present in Russia a gradual annual increase in investments in fixed assets (with the exception of 2015) carried out by national enterprises can be noted (Fig.) [12, 13].

By the end of 2020, according to the Russian Ministry of Economic Development, the drop in investment in fixed assets amounted to 6.6%, while a positive trend is allowed by the end of 2021 in the amount of 2,5-4,5% in the event of economic recovery after the pandemic. When assessing the dynamics of investments in fixed assets in Russia, the distribution of investments by subjects is also important (Table 1) [20].

Based on this table, we can conclude that most of the investments are directed to the Central Federal District, mainly to Moscow and the Moscow Region. All in all, despite the impact of the pandemic, there were no significant changes in the structure of investments in fixed assets in the subjects of Russia in 2020.

Being equally important for presenting a complete picture of investment processes in Russia, in addition to the subjects of investment distribution, it is important to analyse the sources of financing investments in fixed assets (Table 2) [11, 20].

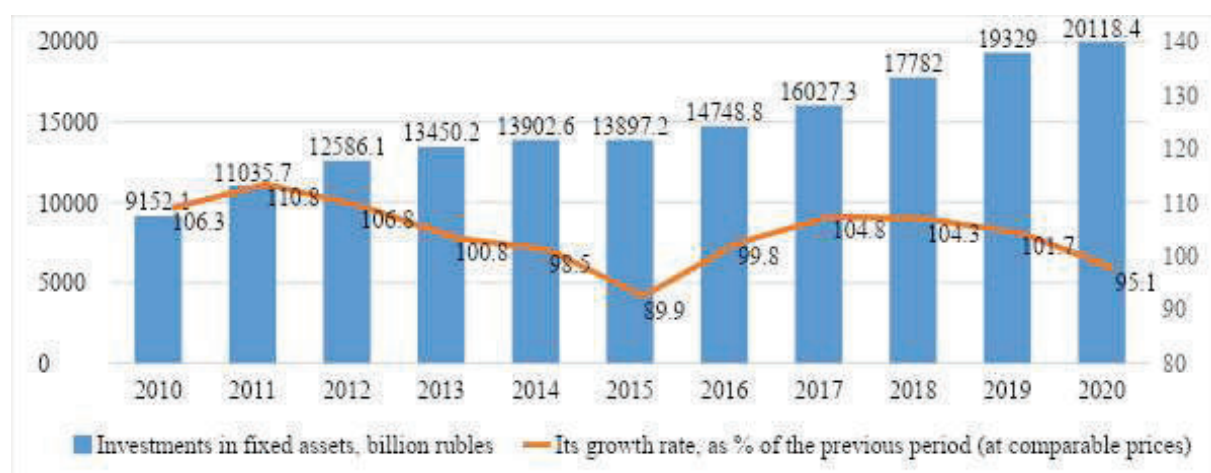


Figure 1 Dynamics of investments in fixed assets in the Russian Federation in 2010-2020, billion rubles and in % compared to the previous period (in comparable prices).

Table 1. Investments in fixed assets by subjects of the Russian Federation in 2014-2020, billion rubles

Subject of the Russian Federation	2014	2015	2016	2017	2018	2019	2020
All	13902,6	13897,2	14748,9	16027,3	17782,0	19329,0	20118,4
Central Federal District	3570,4	3578,2	3795,4	4241,5	4998,0	6093,4	6276,7
North-Western Federal District	1406,5	1437,5	1742,4	1883,3	2308,9	2083,0	2204,7
Southern Federal District	1383,7	1296,2	1152,8	1443,3	1455,8	1378,1	1450,2
North Caucasus Federal District	494,3	475,9	486,0	496,1	544,6	629,7	708,1
Volga Federal District	2384,3	2463,3	2438,1	2428,8	2491,2	2718,6	2763,7
Ural Federal District	2368,5	2357,9	2688,0	2833,1	2966,7	2967,3	3146,9
Siberian Federal District	1484,4	1383,1	1445,3	1551,5	1573,3	1798,3	1913,7
Far Eastern Federal District	810,6	905,1	1000,8	1149,6	1443,6	1660,1	1551,1

Table 2. Dynamics of investments in fixed assets by sources of financing (in actual prices) in 2016-2020, billion rubles

Indicator	2016	% of the total	2017	% of the total	2018	% of the total	2019	% of the total	2020	% of the total
Investments in fixed assets-total, including:	11282,5	100,0	12262,2	100,0	13640,7	100,0	14725,4	100,0	15217,8	100,0
own funds	5750,7	51,0	6290,7	51,3	7229,5	53,0	8099,1	55,0	8624,3	56,7
borrowed funds, of which:	5531,8	49,0	5971,5	48,7	6411,2	47,0	6626,3	45,0	6593,5	43,3
loans from banks, of which:	1174,5	10,4	1370,1	11,2	1531,1	11,2	1435,8	9,8	1451,3	9,5
loans from foreign banks	329,4	2,9	665,1	5,4	604,6	4,4	292,8	2,0	305,3	2,0
borrowed funds from other organizations	674,4	6,0	662,9	5,4	582,9	4,3	709,2	4,8	695,3	4,6
investments from abroad	86,7	0,8	95,8	0,8	86,5	0,6	65,0	0,4	43,7	0,3
budget funds, including from: the	1856,7	16,4	2003,4	16,3	2085,8	15,3	2385,0	16,2	2846,8	18,7
federal budget	1048,6	9,3	1046,3	8,5	1033,4	7,6	1124,7	7,6	1278,8	8,4
budgets of the subjects of the Russian Federation	681,3	6,0	824,5	6,7	902,1	6,6	1091,7	7,4	1382,4	9,1
funds of local budgets	126,8	1,1	132,6	1,1	150,3	1,1	168,6	1,2	185,6	1,2

funds of state extra-budgetary funds	27,8	0,2	24,5	0,2	27,4	0,2	30,0	0,2	31,3	0,2
funds of organizations and the population attracted for shared-equity construction, of which:	340,7	3,0	400,0	3,3	478,6	3,5	629,0	4,3	454,0	3,0
funds of the population	264,6	2,3	303,7	2,5	339,0	2,5	457,8	3,1	376,0	2,5
other	1371,0	12,2	1414,8	11,5	1618,9	11,9	1372,3	9,3	1071,1	7,0

The analysis of the table data showed that the key source of financing over the past 5 years is own funds (56.7% in 2020). Since the beginning of the COVID-19 pandemic, there has been a noticeable reduction in investments in fixed assets due to attracted funds, including funds from organizations and the population for shared-equity construction. Meanwhile there is a noticeable increase in investments in fixed assets at the expense of budgetary funds (the federal budget and the budgets of the constituent entities of the Russian Federation).

After considering the dynamics of investments in fixed assets, it is necessary to pay attention to Russia's direct investments both in other countries and in its economy. The analysis of the dynamics of direct investments allows us to determine the future prospects of investment activity, the most attractive industries and trends in increasing the inflow or outflow of investments in the coming years. Thus, the dynamics of direct investments of the Russian Federation in accordance with the data of the Bank of Russia for the period 2010 and 2015-2020 is presented in Table 3 [23]:

Table 3. Dynamics of direct investments of the Russian Federation, million US dollars

Year	Balance of direct investments	Abroad	To Russia
2010	9448	52616	43168
2015	15232	22085	6853
2016	-10225	22314	32539
2017	8200	36757	28557
2018	22592	31377	8785
2019	-10052	21923	31975
2020	-3365	5298	8663

This table represents that there is a significant prevalence of Russian direct investment abroad on average, with the exception of 2016, when direct investment in the Russian economy exceeded Russian direct investment abroad. In 2020, due to the impact of the COVID-19 pandemic and economic sanctions against Russia, there was a decline in direct investment both in Russia (by 23312 USD million or 72,91%) and Russian investment abroad (by 16625 USD million or 75,83%), which is a record decline in recent years. By the end of

2021, a partial recovery in the volume of direct investment is expected both in Russia and Russian direct investment abroad, mainly in the countries of the Asia-Pacific region.

As far as the foreign trade of the Russian Federation in investment goods is concerned, it can be seen that in recent years the structure of exports and imports has not changed, and the key share of imports accounts for:

- nuclear reactors, boilers, equipment and mechanical devices; their parts (43,1 billion US dollars in 2020);
- electrical machines and equipment, their parts; sound recording and sound reproducing equipment (30,2 billion US dollars in 2020);
- means of land transport, except for railway or tram rolling stock (18,5 billion US dollars in 2020).

The main share of exports of investment goods also accounts for these groups of goods and is:

- for nuclear reactors, boilers, equipment and mechanical devices; their parts – 8,4 billion US dollars in 2020;
- for electric machines and equipment, their parts; sound recording and sound reproducing equipment - 4,4 billion US dollars in 2020;
- for land transport vehicles, except for railway or tram rolling stock – 3,5 billion US dollars in 2020.

This structure indicates a significant excess of imports of investment goods over exports of similar goods, where the main part is occupied by nuclear reactors, boilers, equipment and mechanical devices; their parts are both among exports and among imports [9, p. 50]. At the same time, the COVID-19 in 2020 did not significantly affect the change in the shares of investment goods groups in both exports and imports.

Having considered the dynamics and structure of Russian investments, it is necessary to pay attention to foreign direct investment (FDI), which in many cases provide significant support to the regions in terms of economic growth in the implementation of various investment projects with foreign participation [8, p. 238]. FDI also plays an important role in the development of the country's economy as a whole, provided that foreign

investors and the state (organizations) have a mutually beneficial partnership. (Table 4) [10, p. 23].

Table 4. FDI inflows and outflows in the Russian Federation in 2014-2020, USD billion

Years	FDI inflow to the Russian Federation	Outflow of FDI from the Russian Federation	Balance
2014	9,8	64,0	-54,2
2015	12,0	27,0	-15
2016	37,0	27,0	10
2017	26,0	34,0	-8
2018	13,0	36,0	-23
2019	32,0	23,0	9
2020	8,7	5,3	3,4

The table demonstrates that in recent years there has been a steady trend for the outflow of FDI from Russia [18]. Meanwhile in 2020, there is a decrease in both inflows and outflows of FDI by more than 75% due to the COVID-19 pandemic. In 2021-2022, if the Russian economy recovers, an increase in FDI inflows is expected at the level of 2019 while the tightening of the US and EU sanctions policy against Russia remains the main factor for a possible increase in the outflow of FDI from Russia.

Taking the dynamics of FDI in Russia into account five key investor countries in 2010-2020 should be singled out separately, as well as the top 11 investor countries in the Russian economy in 2018-2020 by the number of investment projects, which are presented in table 5 [15]:

Table 5. The main countries-investors in the Russian economy in 2018-2020 by the number of investment projects, pcs

Country	2018	2019	2020
Germany	24	36	26
China	19	22	15
USA	33	20	15
Italy	11	6	13
France	13	22	12
Switzerland	9	9	7
India	3	4	5
Sweden	4	5	5
Finland	8	10	4
Turkey	6	3	4
Great Britain	2	4	4

Based on this table, it can be concluded that in recent years there has been a fairly significant restructuring of the leaders among the main investor countries, where the United States stands out the most, reducing the number of investment projects from 33 in 2018 to 15 in 2020. At the same time, the United States has consistently

remained among the top three major investor countries in the Russian economy during 2010-2020.

Germany took the first place in 2020, although the number of investment projects decreased by 28% compared to 2019, which reflects the global trend of reducing the number of investment projects due to the COVID-19 pandemic. At the same time, over the past 20 years, the total number of German projects implemented in Russia amounted to 418, which is the best result among all European countries.

The second and third places in 2020 in terms of the number of investment projects in Russia were shared by China and the United States, while the number of Chinese projects decreased by 32%, and American projects - by 25% compared to 2019. Chinese investments are mainly aimed at high-tech areas (electronics, software, and IT services).

Italy took the fourth place in 2020, having increased the number of investment projects by 2 times compared to 2019, which indicates the restoration of Italy's position as one of the main investors in the Russian economy. The pivotal part of Italian investments is directed to the production of machinery and equipment.

France fell to the fifth place in 2020, reducing the number of investment projects by almost 2 times (12 in 2020 compared to 22 in 2019), although by the end of 2020, the inflow of FDI from France exceeded 1,4 billion US dollars and amounted to almost 17% of the total inflow of FDI to Russia.

Also, for the first time in the last 10 years, India and Sweden entered the top 10 countries with five investment projects. Unlike in 2019 the Netherlands, South Korea and Japan did not enter the top countries in terms of the number of investment projects.

If we talk about the most attractive sectors of the Russian economy for investor countries, then production is in the first place every year, and sales and marketing are in the second place [15].

Thus, manufacturing remains the most attractive industry for foreign investment. The number of investment projects in this area has not changed compared to 2019 and amounted to 107 projects. Most of the projects in the field of production belong to Germany (20), China (13), Italy (13) and the USA (11).

According to the results of 2020, the number of investment projects in the marketing and sales industry decreased by 77% and amounted to 12 projects, which is the lowest indicator for the entire period of the study. In the context of the COVID-19, most companies have reduced their media activity and the amount of funds spent on promotion. Germany and France are the leaders in this industry, having invested in the implementation of two projects in 2020.

The third place among investment projects in 2020 was taken by business services, which for the first time

entered the top three industries. Almost half of the investment projects in this industry are implemented by India (3 projects), and half of all projects in the business services industry are implemented in Moscow and St. Petersburg.

Along with the attractiveness of the sectors of the Russian economy for FDI, the most attractive sectors for investor countries should also be noted, which are presented in table 6 [15].

Table 6. The most attractive sectors for investor countries in the Russian economy in 2015-2020 by the number of investment projects, pcs

Sector	2016	2017	2018	2019	2020
Agri-food sector	41	38	32	41	42
Machinery and equipment	27	21	29	23	21
Furniture, wood, ceramics and glass	-	-	3	4	11
Chemical products and plastic	33	19	21	19	11
Production and delivery of transport	19	17	19	11	8
Electronics	-	-	6	4	8
Wholesale and retail trade and distribution	-	-	6	1	5
Software and IT services	-	-	24	10	5
Construction	-	-	-	-	5
Consumer goods	-	-	-	-	4
Pharmaceutical preparations	10	35	8	13	4
Business and professional services	4	7	7	6	3
Health and social work	-	-	1	7	3
Metals and minerals	-	-	10	3	3

This table shows that the most attractive sector during 2016-2020 is the agricultural and food sector is the second, and the machinery and equipment sector is in second place. One of the success factors of the agri-food sector in recent years remains import substitution and the food embargo in force since 2014, since the restriction of foreign supplies of some food has caused a rapid increase in prices on the domestic market, which stimulates the inflow of investment. Germany and the United States remain the leading countries in terms of investment in the agri-food sector. The leading countries in terms of the number of investments in the production of machinery and equipment are Italy (7 projects), the USA and China (2 projects each).

The most popular sector for investment in 2020 was the chemical industry, which accounted for more than 700 million US dollars. The main factor influencing the growth of activity in this sector was the decline in prices for mineral raw materials used in production.

At the same time, you can also see a noticeable decline in investment projects in the pharmaceutical industry, where from 35 projects in 2017, 4 projects remained in 2020, which is explained by the implementation of planned projects, economic sanctions and the departure of most investors to more attractive countries in terms of investment in the pharmaceutical industry (Germany, Switzerland, the Netherlands, Belgium, India, etc.).

In terms of the volume and dynamics of FDI to Russia, it is also necessary to note the most attractive regions for investor countries, which form the basis of the Russian investment climate.

Moscow and the Moscow region always have the greatest attractiveness, and St. Petersburg and the Leningrad Region occupy the second place, which is explained by the developed investment structure and high investment climate of these regions in comparison with other regions of Russia.

According to the results of 2020, Moscow and the Moscow Region became the most popular region among foreign investors with 41 FDI projects, which is 32% less than in 2019. Most of the projects in Moscow and the Moscow region belonged to France (7) Germany (7) and the US (5). So, in 2019 the largest number of projects was France (16).

The second place in the number of investment projects was taken by St. Petersburg and the Leningrad Region with 16 projects, which is 3 projects less than in 2019. The leading country for the implementation of projects in St. Petersburg and the Leningrad region is Germany.

The third place in the number of investment projects in 2020 was taken by the Republic of Tatarstan (10 projects), which is 1 project more than in 2019. The main investor in the region is China, which invests mainly in the sectors of electronics and manufacturing and transport supplies.

Among the leading regions in terms of the number of foreign investment projects in 2020, the Kaluga Region (the key sector is the production of furniture, wooden products, ceramics and glass) and the Novosibirsk Region (the core sector is the agro-industry) stand out as well.

Considering the investment potential of Russian regions, it is necessary to pay attention to the data of the Russian rating agency RAEX (RAEX-Analytics), which annually compiles the investment potential and investment risks of Russian regions. Thus, the investment potential of the top 10 Russian regions in 2018-2020 is presented in table 7 [19].

Table 7. Investment potential of Russian regions in 2018-2020 (based on data from the RAEX agency)

Potential rank			Region (subject of the Federation)	Share in the all-Russian potential for 2020, %	Change in the share in the potential of 2020 by 2018, pp.
2020	2019	2018			
1	1	1	Moscow	14,86	0,430
2	2	2	Moscow oblast	6,25	0,235
3	3	3	Saint-Petersburg	5,00	0,033
4	4	4	Krasnodar Territory	2,91	-0,012
5	7	7	Krasnoyarsk Territory	2,54	0,208
6	5	5	Sverdlovsk region	2,49	-0,076
7	6	6	Republic of Tatarstan	2,47	-0,008
8	8	10	Chelyabinsk region	1,88	-0,025
9	9	9	Rostov region	1,87	-0,063
10	10	8	Nizhny Novgorod region	1,87	-0,083
85	85	85	Nenets Autonomous Okrug	0,17	0,021

Citing this table Moscow and the Moscow Region, as well as St. Petersburg, are traditionally leaders in the ratings for the investment potential of various rating agencies. The lowest position in 2018-2020 in terms of investment potential was taken by the Nenets Autonomous Okrug with a share of 0.17% in the all-Russian potential. The COVID-19 pandemic in 2020 had almost no impact on the top ten leading regions in terms of investment potential, with the exception of the Krasnoyarsk Territory, which rose by 2 positions and took 5th place. At the same time, almost all regions faced a drop in GDP and were forced to resort to borrowing and rely on support from the centre to

mitigate the consequences of the crisis caused by the COVID-19, in connection with which an increase in the debt burden is expected for most Russian regions, including such developed regions as the Sverdlovsk Region and the Republic of Bashkortostan.

When analysing the investment potential, it is necessary to pay attention to the investment risks of the regions of Russia, which are a key indicator for determining the further investment attractiveness of the regions. Thus, data on investment risks among the top 10 Russian regions in 2018-2020 from the RAEX rating agency are presented in table 8 [19]:

Table 8. Investment risk of Russian regions in 2018-2020 (based on data from the RAEX agency)

Potential rank			Region (subject of the Federation)	Weighted average risk index, 2020	Change in the risk index, 2020 to 2018, pp.
2020	2019	2018			
1	1	1	Moscow oblast	0,127	0,000
2	4	10	Saint-Petersburg	0,128	-0,023
3	3	3	Lipetsk region	0,137	0,008
4	2	5	Belgorod region	0,138	0,006
5	5	4	Leningrad Region	0,146	0,016
6	7	12	Moscow	0,151	-0,014
7	6	7	Republic of Tatarstan	0,157	0,019
8	10	8	Voronezh Region	0,162	0,022
9	11	2	Krasnodar Territory	0,166	0,038
10	8	6	Tambov region	0,169	0,032
85	83	76	Republic of Ingushetia	0,578	0,055

According to the data above, the leading line is occupied by the Moscow region, St. Petersburg is in second place, and the Lipetsk Region takes the third place. Moscow, as a leading region in terms of investment potential, is on the 6th place in this rating. The lowest position at the end of 2020 is occupied by the Republic of Ingushetia with a weighted average risk index of 0,578. The COVID-19 pandemic, as in the case of the investment potential of the regions, did not have a strong impact on the rearrangement of the regions in the rating. At the same time, St. Petersburg stands out the most, which has risen by 8 positions since

2018 and took second place, although it is the leading region in the number of COVID-19 cases after Moscow, which worsens the socio-economic situation of the region and its potential investment attractiveness.

In addition to the national rating agency and the RAEX rating agency, the data of the Agency for Strategic Initiatives, which annually compiles the rating of the investment climate in the constituent entities of the Russian Federation, also deserve attention. This rating according to the results of 2018-2020 is presented in table 9 [16]:

Table 9 Rating of the top 10 regions of the Russian Federation according to the state of the investment climate in 2018-2020

Region	Place in the 2018 ranking	Place in the 2019 ranking	Place in the 2020 ranking	Change of position in 2020 compared to 2018	Place in the rating of 2021 (first half of the year)
Moscow	2	1	1	1	1
Republic of Tatarstan	3	2	2	1	2
Tula region	5	6	3	2	4
Saint-Petersburg	4	5	4	0	8*
Moscow oblast	9	7	5	4	7*
Krasnodar Territory	6	13	6	0	7*
Belgorod region	11	8	7	4	10*
Kaluga Region	13	4	8	5	8*
Republic of Bashkortostan	16	16	9	7	5
Yaroslavl region	17	18	10	7	8*
Novgorod region	-	14	11	-	7*
Tyumen region	1	3	12	-11	3
Leningrad Region	12	9	13	-1	10*
Khanty-Mansi Autonomous Okrug-Yugra	14	17	14	0	6
Voronezh Region	7	15	15	-8	-

*in the rating for 2021 after the first 5 regions several regions can occupy one place at once.

As far as this table is concerned, Moscow became the subject with the best investment climate by the end of 2020, the Republic of Tatarstan takes the second place, and the Tula region was on the third position. Compared to 2019, the Krasnodar Territory has significantly improved its positions (6th place in 2020 compared to 13th place in 2019), the Republic of Bashkortostan (9th place in 2020 compared to 16th place in 2019) and the Yaroslavl Region (10th place in 2020 compared to 18th place in 2019). The most decline is observed in the Tyumen region (-9 positions compared to 2019) and the Kaluga Region (-4 positions).

Citing the results of the first half of 2021, the rating is still headed by Moscow and the Republic of Tatarstan, which indicates a good investment potential of these regions despite the epidemiological situation and the ongoing COVID-19. The third place in the first half of 2021 is taken by the Tyumen Region, the fourth place is occupied by the Tula region and the fifth place is for the Republic of Bashkortostan.

Thus, based on the analysis of statistical data and the assessment of various rating agencies, Russia is quite an attractive country for foreign and domestic investors, mainly in primary industries, or in industries related to information technologies. However, in recent years, due to economic sanctions and the somewhat deteriorating economic situation in the country, there has been a decrease in the interest of potential investors in Russia. Meanwhile, the government actively promotes the development of investment processes within the country and contributes to the creation of innovation and investment infrastructure in all regions [3, p. 85].

In 2020 the pandemic caused by the COVID-19 significantly affected the features and trends of investment processes in Russia. The inflow and outflow of FDI significantly decreased (by more than 75%), and a significant number of investment funds were directed to the development of digitalization, IT projects and information technologies. Meanwhile, the COVID-19 pandemic did not significantly affect the investment

ratings of the regions, including investment attractiveness and investment risks. This peculiarity is explained by the fact that the crisis affected all regions for the most part equally, and the leading regions of the ratings, such as Moscow and St. Petersburg, despite the large number of COVID-19 cases, were able to adapt to the pandemic and since the end of 2020 demonstrate a gradual recovery of the socio-economic situation.

The main problem in the investment sphere is still the lack of readiness of most regions for large-scale investment projects, the lack of investor interest in investing in the social sphere, the imperfection of the regulatory framework for foreign investors, as well as the relatively unclear economic situation in the future due to economic sanctions and a possible global economic recession while overcoming the consequences of the pandemic caused by the COVID-19.

4. CASE STUDIES

The current situation in Russia in terms of investment and the investment climate is the object of close attention and analysis by many international organizations, independent companies and experts.

According to the results of 2018-2020, Bloomberg estimates Russia as one of the most profitable countries for investments, mainly portfolio ones. In the meantime, most foreign investors adhere to a policy of strict prudence when investing in Russian organizations and projects, given the rather unstable macroeconomic and political situation in the country in recent years. Most often, funds are invested in wholesale and retail trade, the extraction of various types of fuels and mineral raw materials, as well as in some innovative projects, mainly in the information sphere. The COVID-19 pandemic has also increased the attractiveness of the Russian IT sector for further investments.

According to the data of the audit and consulting company Ernst & Young, by the end of 2020, foreign investors invested in 141 projects in Russia, which is 50 projects less (-26%) than in 2019. However, Ernst & Young notes this trend as a global one, since investments in most countries of the world have also decreased as a result of the COVID-19 pandemic. According to the results of 2020, Russia took the 11th place in the list of the most attractive countries for investment in Europe [15].

In 2021, a small increase in the number of projects in which foreign investors are interested is expected, due to the gradual overcoming of the consequences of the crisis caused by the COVID-19 and the sufficiently high attractiveness of Russia for investment in certain industries. Many experts of the company also note the acceleration of economic growth in Russia in the medium term, which may favourably affect the investment climate of the country in 2022-2025,

provided that stability is maintained on the world stage and the consequences of the COVID-19 pandemic are overcome.

At the end of 2020, according to the Russian Direct Investment Fund, 370 billion rubles were attracted to Russia, which is 32% more than in 2019 (280 billion rubles), which indicates that Russian assets provide an optimal combination of profitability and risk. The main investments of the RDIF were directed to the development of green energy, logical and transport infrastructure, as well as to artificial intelligence projects and the development of digital educational platforms [22].

Meanwhile, the largest volume of FDI is accounted for in Asian countries and countries of the Middle East, and there is also a slight increase in FDI inflows from European corporations. Experts identify the development of investment infrastructure and improvement of the legislative framework as the main potential source of further development of the investment environment as well as the readiness of regions that are not among the advanced ones in terms of the investment climate to accept and develop investment projects with foreign participation [21].

In the reports of the Central Bank of the Russian Federation, a high concentration of investments in a limited number of regions is noted in the structure of FDI. Thus, the leading regions in terms of investment volume include Moscow, the Sakhalin Region, the Tyumen Region, St. Petersburg, the Krasnoyarsk Territory, the Vologda Region, the Moscow Region, the Lipetsk Region, the Chelyabinsk Region, the Sverdlovsk Region and the Perm Region. According to expert forecasts, these regions will retain a high investment attractiveness in the coming years, while the least prepared regions (the Nenets Autonomous Okrug, the Republic of Tyva and others) will continue to experience difficulties with potential investment investments in the coming years due to the underdeveloped investment infrastructure and insufficient support from the Government, which, in the meantime, has grown significantly in recent years.

Citing the Central Bank, the investment activity of foreign investors by region has a significant geographical differentiation. All regions of the country can be divided into 3 types:

- regions where the largest share of FDI is directed to the industry related to the extraction of minerals, mainly oil and gas fields (Sakhalin Region, Yamalo-Nenets Autonomous Okrug);
- regions belonging to the "capital", which are attractive with developed infrastructure and communications (Moscow, Moscow region, St. Petersburg);
- regions with a favourable investment climate and an established investment policy (Belgorod

Region, the Republic of Tatarstan, the Lipetsk Region).

All in all, foreign investors are most often attracted by the developed infrastructure, the presence of potentially high consumer demand and the concentration of export-oriented enterprises in the primary sector of the economy. At the same time, many sources note that Russia still needs foreign investments, since without them the process of developing agriculture, manufacturing industries, infrastructure in regions remote from the centre, as well as the sphere of high-tech goods and services is significantly complicated [5, p. 24].

Experts of the United Nations Conference on Trade and Development (UNCTAD) predict that in 2021-2022 investors will be more active compared to 2020, but the growth of FDI will remain at a low level due to the still active COVID-19 pandemic. In the meantime, as of June 2021, there is still global macroeconomic uncertainty in the world due to the pandemic (mainly due to the situation in India and the United States) caused by the COVID-19, which significantly complicates forecasts in this area for the coming years.

In general, the investment policy of Russia at present doesn't fully meet all the requirements for the development of investment processes in the country. Among the main unsolved tasks it is noted:

- the lack of a close relationship between priority and ongoing investment projects;
- long terms of implementation of investment projects in regions that are not among the best in terms of the investment climate;
- not always optimal expenditures from the federal budget concerning investment infrastructure development;
- imperfection of the legislative framework, manifested in the absence of full guarantees to investors;
- the dominance of public investment over private;
- difficulties with the implementation of long-term investment projects.

The insufficient level of private investment is also considered as one of the urgent problems towards the development of investment processes in the country. With the onset of the COVID-19 pandemic, most companies and investors were forced to solve emerging problems at their own expense, as a result of which a decrease in the level of private investment is projected in 2021.

Hence, it is necessary to support private investment initiatives and in order to preserve and increase the attractiveness of the country for foreign investors to pursue a policy when it comes to improving the investment climate, on the basis of which foreign

investors assess the investment attractiveness of an industry, a region individually or Russia as a whole. The core task for the coming years will be to implement this course while simultaneously overcoming the consequences of the pandemic caused by the COVID-19 coronavirus infection.

5. CONCLUSION

As the conducted research has shown, investment processes in Russia and their improvement are an extremely relevant topic. There is an objective need to improve the investment climate in the regions and develop investment processes in order to achieve economic growth and increase the country's competitiveness in the international arena.

The COVID-19 pandemic, which came in 2020, undoubtedly changed the world economic order and affected the economic and investment activities of all countries in the world. By the end of 2020, the Russian economy has adequately withstood the onset of the COVID-19 pandemic and has entered the stage of gradual recovery and return to the pre-crisis level, which is expected to be reached in 2022. Despite a decrease in the inflow and outflow of FDI by more than 75% in 2020, by the end of 2021 the level of investment in the field of digitalization, IT projects and information technologies is expected to increase to the level of pre-crisis values.

As far as statistics from various sources is concerned, in recent years there has been a positive dynamics of investment in fixed assets, which should continue after the economic recovery in 2021-2022. Meanwhile, the main part of investments in fixed assets falls on the Central Federal District, mainly on Moscow and the Moscow Region.

In recent years, there has also been an almost fourfold increase in investment in intellectual property objects (831,5 billion rubles in 2020 compared to 251,1 billion rubles in 2015), which indicates a positive trend in this area due to the development of digitalization and the need to develop information technologies in connection with the COVID-19 pandemic.

If we evaluate the results of foreign direct investment (FDI) in Russia, then according to this indicator, there is an outflow of FDI annually associated with the instability of the world economy, economic sanctions against Russia and a slowdown in economic growth in the country. In the meantime, Russia is still among the top 20 countries in terms of FDI inflows, which indicates that investors are interested in the Russian economy. A significant decline in FDI in 2020, characteristic of all countries of the world due to the COVID-19 pandemic, should not significantly affect the change in the structure of FDI and after overcoming the consequences of the global crisis caused by the COVID-19, Russia will still have

good prospects for attracting investment in certain sectors of the economy.

The investment attractiveness and investment prospects of the regions will continue to depend not only on the epidemiological situation, but also on the socio-economic infrastructure created before the onset of the pandemic, and therefore no significant changes in these ratings are expected. The leaders among the regions in terms of the number of investment projects and the total volume of investments will remain Moscow, the Moscow region, St. Petersburg, the Republic of Tatarstan and some other regions as the most attractive for Russian and foreign investors.

Summing up the investment potential of the Russian regions on the basis of statistics and expert assessments, we can conclude that there is a clear differentiation of regions in Russia by the level of investment attractiveness, where the Central Federal District is in the first place due to the favourable investment climate and developed investment infrastructure. The main policy of the state concerning the development of investment processes should be aimed at creating and supporting investment infrastructure in the least attractive regions for investment, stimulating private investment and improving the legislative framework in this area.

It implies that at present there is a certain policy in Russia to develop investment processes, support the regions and improve the investment climate in the country as a whole. However, there are certain difficulties with the development of investment processes in the country related to economic sanctions, instability of the world economy, due to the pandemic caused by the COVID-19, complex procedures for approving documents necessary for the implementation of investment programs, the presence of a corruption component and the unwillingness of many regions to implement large investment projects.

In the meantime, there are good opportunities for potential growth in this area, provided that the legislative framework is improved, private investment in the economic and social sphere is stimulated, budget funds are optimally allocated for the development of investment infrastructure in regions unfavorable for investment, as well as the implementation of public requests for the implementation of various investment projects. With the effective implementation of the above opportunities against the background of economic recovery after the COVID-19 pandemic, Russia will significantly increase its investment attractiveness for both foreign and Russian investors [17]. The solution of the above problems and shortcomings will allow improving investment processes in all Russian regions in the medium and long term, as well as improving the investment climate in the country as a whole.

CONFLICT OF INTEREST

The authors declare that there is no conflict of interest between.

AUTHORS' CONTRIBUTIONS

The article has been written by a team of authors, all authors have taken equal part in the theoretical analysis of the problem and in carrying out the research. I.O. Aleksandrov was responsible for the analytical part of the work, summarized the data and wrote the original manuscript. S.V. Zakharaova was accountable for the practical part of the work given. N.V. Mityaeva and O.Yu. Sokolova analysed and summarized the ideas both of Russian and foreign authors concerning the problem of research and contributed to the revision and alteration of the article.

REFERENCES

- [1] Federal Law "On investment activity in the Russian Federation carried out in the form of capital investments" of 25.02.1999 N 39-FZ (as amended. from 02.08.2019 N 259-FZ).
- [2] G.A. Alexandrov, G.G. Skvortsova, A.P. Burlakova, Innovation and investment policy of the region and its institutional support, in: Problems of modern economy, 2017, no. 4 (64), pp. 132-135.
- [3] I.O. Alexandrov, M.A. Kukoleva, E.Yu. Snezhkova, Features of the development of innovative infrastructure in Russia, in: Collection of articles of the International scientific and practical Conference "Modern problems and promising directions of innovative development of science" (Moscow, 31.01.2020), International Corporation for Scientific Research and Development, Moscow, 2020, pp. 84-88.
- [4] O.I. Vodyanenko, N.V. Mityaeva, Specifics of the investment process in the production of public goods, in: Bulletin of the Saratov State Socio-Economic University, 2013, no. 5 (49), pp. 12-15.
- [5] N.A. Kireeva, O.V. Prushchak, The role of digitalization and inclusive growth in the development of the agro-food system of Russia, in: Science and Society, 2019, no. 3 (35), pp. 22-26.
- [6] E.B. Larina, E.A. Orekhova, Digitalization as a factor of increasing the competitiveness of the national economy in world markets, in: Bulletin of the Saratov State Socio-Economic University, 2019, no. 2 (76), pp. 29-34.
- [7] V.V. Pobirchenko, E.A. Suteeva, Features of the investment process in Russia at the present stage,

- in: Scientific Bulletin: Finance, banks, and investments, 2018, no. 3 (44), pp. 66-74.
- [8] A.E. Sbitneva, N.P. Shalygina, M.V. Selyukov, The role of foreign direct investment in the Russian economy, in: Fundamental Research, 2017, no. 9-1, pp. 237-242.
- [9] O.Yu. Sokolova, Problems and prospects of innovative and scientific-technological cooperation of the BRICS countries, in: Bulletin of the Saratov State Socio-Economic University, 2019, no. 3 (77), pp. 47-50.
- [10] Report on World Investments 2020. https://unctad.org/system/files/official-document/wir2020_overview_ru.pdf
- [11] Investments in non-financial assets. https://rosstat.gov.ru/investment_nonfinancial
- [12] Investments in fixed assets in the Russian Federation. https://rosstat.gov.ru/storage/mediabank/Wh9rW0Na/tab_inv-okved.html
- [13] Investments in Russia 2019. https://www.gks.ru/storage/mediabank/Invest_2019.pdf
- [14] Investment policy of the Russian Federation. <https://investoriq.ru/teoriya/investitsionnaya-politika-rossii.html>
- [15] Study of the investment attractiveness of European countries for 2020: Russia. https://www.ey.com/ru_ru/attractiveness/21/european-attractiveness-survey-2021-russia
- [16] National investment Rating. https://asi.ru/government_officials/rating/
- [17] A national action plan that ensures the restoration of employment and income of the population, economic growth and long-term structural changes in the economy. http://www.consultant.ru/document/cons_doc_LAW_333667/
- [18] The inflow of foreign direct investment to the Russian Federation through new shares in 2020 decreased by 1.9 times. <http://www.finmarket.ru/news/5473868>
- [19] Rating of investment attractiveness of regions for 2020. <https://raex-a.ru/ratings/regions/2020>
- [20] Russian Statistical Yearbook 2020. https://gks.ru/bgd/regl/b20_13/Main.htm
- [21] Russian Direct Investment Fund. <https://rdif.ru/>
- [22] RDIF attracted 370 billion rubles to the Russian economy in 2020. <https://tass.ru/ekonomika/11573639>
- [23] Statistics of the external sector of Russia. https://cbr.ru/statistics/macro_itm/svs/