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## PROSPECTS FOR THE USE OF BUDGET INVESTMENTS IN THE RUSSIAN ECONOMY

**Statement of the problem.** One indicator of the competitiveness of the national economy is its investment attractiveness. In many ways, it is determined by the conditions of investment, as well as the reinvestment of profits, which creates a state. On the other hand, in the present conditions there is a problem of optimization of various forms of financial support to the economy, including the activities of the state as an independent investor.

**Analysis of recent research and publications.** The problem of public investment are discussed in recent publications, especially from the point of view of the analysis of changes in the budget legislation, the transition to program-target method of budget planning and financing, improve the effectiveness of financial security institutions, member of PPP. The financial and legal aspects of public investment were discussed in articles T.V. Sahakian, E.V. Terehovoj, S.G. Khabaev and others, in which the authors concluded that the financial mechanism of the tool is not perfect, and in this is largely determined by the contradictions in Russian law [10, 11]. Scope of the cost of investments potentially reduced with the introduction of the FL - 83 [4], which assumed that a certain economic independence of low- autonomous institutions, allow the state to reduce the use of this tool [8]. The use of program- target method of planning and financing of public investment has allowed defining more specifically the result of the use of budget funds [9]. Some researchers point out that the way to improve the efficiency of public investment is to use them in a public-private partnership (hereinafter - PPP) [7].

**Statement of the problem.** Despite the fact that the works of recent years has been studied in some detail the legal nature of public investment, some economic aspects of the use of this form of fiscal expenditure, too, remains a topical problem of investigating the changes that have occurred in the aims and methods of the organization of public investment in the first decade of the XXI century in the Russian Federation, which determined the scope and effectiveness of their application, determine compliance with this form of fiscal expenditure of the modern concept of state regulation of the economy.

**The main material of the study.** The state's participation as an investor in a controversial economic community. Expansions of its obligations to the society objectively determine the existence of the public sector and, therefore, increase government spending on its contents, including the budgetary investments. Deliberately or not the state, in this case replacing private investors from certain sectors of the economy, becoming a competitor to them, using the means at its disposal and the financial and administrative resources. Sometimes, the business itself is losing ground, leaving scope for public investment, requiring huge initial investment, with a high level of risk, long payback period, etc. The development of a market economy gradually leads to the fact that the scope of the state's interests go beyond the production of public goods and services, and the government may have to act as an investor,

winning the industries that have traditionally been the scope of the economic interests of the business.

The task requires the solution of problems of a theoretical nature - to determine whether use of the term corresponds to the traditional principles of public financial support for the economy, what lies behind the modern concept of public investment, as public investment goals have changed. At the same time there is a problem and applied research: do we need public investment in general today's economy, what is their effectiveness. Also, intentionally or not there is a specific aspect of national public investment, for example, in Russia.

Over the past two decades, the state itself has also changed. In the economic activity it generates a more flexible mechanism of budget financing, and that uses different forms of budgetary expenditures: government contracts, government contracts, subsidies, subventions, grants, low cost loans, etc. Despite all the changes among them are spending budgets, which are associated with the activities state to establish ownership - state (budget) investments or capital expenditures.

If you look at the meaning of investments, it is by its very nature contradicts the generally accepted principles of state spending. Traditionally, investment costs are treated with a view to profit. The government initially completely eliminated the use of such a motivation of the budget or other sources. As a rule, the budgets are spent under irrevocable and grant (with the exception of some low cost loans). These principles are consistent with goals of the state - the production of public goods and services. But the use of financial resources on the principles of irrevocable and grant led to the occurrence of negative events, such as in the area of public finance, as well as throughout the economy. In the first case, it is an inefficient use of budget funds. Do not save the business and the introduction of legislative consolidation of principles such as targeting, targeted use of budgetary funds, the creation of a whole system of financial penalties, administrative and criminal liability for misuse, unaddressed spending. From the point of view of the economy, public investment negatively affects the industrial structure of the economy, reducing its effectiveness. Apparently, the only way out is to change some of the principles of financial resources of public law entities or their forms. Account of the new conditions is reflected in the treatment of investments in the federal law on February 25, 1999 № 39- FL «On Investment Activity in the Russian Federation in the form of capital investment», as stated investment objectives and making a profit, and to achieve desired effect [2, Art. 1]. It should be noted that under current conditions and public investments do not always take as a goal of achieving only useful for the community effect, the use of the early 90-ies of the XXI century various forms of public-private partnership based on obtaining additional revenue budget.

In modern conditions is the preferred production of public goods and services from the budget of the most cost- effective way. In a market economy, it will seek

opportunities to increase financial resources, and one of those ways is the nature of the investment budget spending (in this case refers only to the financial component of this concept). Therefore, gradually changing the funding mechanism of the budget, the allocation of financial resources in the form of allocations from the budget, mainly state-owned enterprises is replaced by government contracts, from those of a tender between the organizations (companies) of the various forms of ownership. At the conclusion of public contracts, the emphasis is on cost-effectiveness of their implementation. The structure of the financial instruments of state control included budgetary investments made on the principle of co-financing costs, the proposed distribution of risks between the parties, the relative achievement of cost savings, creating conditions to generate additional revenue.

This approach is the result of the use of the experience gained in the organization of public investment. The state's participation as an investor in the development of a market economy evolved unevenly. Initially, the state has become an investor acting under the influence of the Great Depression in Western Europe and the U.S. in the early thirties (although Russia was characterized by a significant proportion of state ownership and in the 18-19 centuries). The ideology of Keynesian economic regulation involves the use of quality tools in public ownership. Some of the financial resources spent on the creation of public property and its contents. However, the nationalization of the economy in Western Europe (especially in the UK and France) are gradually exhausted its positive resource and by the end of the seventies and early eighties led to negative consequences. The cost of maintaining state ownership grew until it increased the deficit of the state budget, and most importantly - they were not compensated by the efficiency of its use. As a result, as an investor, the state was not competitive compared to private investors. Changed and the ideology of government regulation. In place of Keynesianism came monetarism, a strict limitation of government influence on the economy. The state in the 80 years of the twentieth century has changed the concept of investment activity in betting on the creation of conditions for attracting private domestic and foreign investment in the economy. As a result, state-owned sector declined sharply. Functioning of the state as an investor was kept to a minimum.

The period of development of the economy at the beginning of the twenty-first century has made significant changes in the market mechanism, and in the state regulation of investment processes. There was a change in the investment strategy of the state. The structure of the active instruments of state financial regulation again included public investment. The status of the public investments are influenced by the ideology of New Public Management, in which the elements of the business processes have been used, for example, result-oriented budgeting, tendering for government contracts, co-financing.

The mechanism of co-financing and cost sharing with the business and with other levels of government began to be used to increase the efficiency of the budgets, their relative cost and risk reduction. For example, in the Russian Federation established a specific mechanism for the redistribution of public investment between the federal budget and the budget of the Russian Federation, between the budgets of the subjects of the Russian Federation and municipal budgets through intergovernmental grants. As co-investors from the business can act as both public and non-public organizations.

Were adjusted target of public investment, methods of organization, funding, etc. The state became inter-

ested in investing not only for public effect, but also to generate additional revenue to reduce the budget and other risks. The source of such investments are not only budget funds received in the form of tax and non-tax revenues, but additional funds obtained from the use of temporarily free budget funds and state funds.

The modern state not only reduces the investment process to the creation and modernization of property - tangible assets. The means of implementation of public investment are quite diverse: the acquisition of equity and debt securities, units, shares in the authorized capital of organizations, placement of the funds on deposit in commercial banks [2, p. 1].

All of these changes are available in the public finances of Russia, but national identity is also present. The use of the term «public investment» in the Russian Federation has its own characteristics. The budget legislation there is a particular interpretation of public investment. Term investments associated with the concept of «capital investment» in fixed assets and mainly focuses on the costs associated and the formation and maintenance of state property, although Russian law common ways to organize and distribute investment for the state. But for its investment activities over which the term «investment budget» as a synonym for «public investment», thus narrowing the circle of budget costs, which can be formally considered as investment.

Despite the fact that some of the expenditure budgets are always directed to the formation and maintenance of state property, the term «investment budget» appeared in the budget legislation of the Russian Federation until 2008. In general, there was a specific update of the term «capital expenditure budget», which in the nineties famous used in the budget legislation. For capital expenditures include the costs of the budget for investment and innovation. They are granted to legal persons in accordance with the investment program. A definite distinction budget investment of capital spending was the forms of their organization. Capital expenditures were made in the form of appropriations or budget credits, and low investment limited allocations of budgets to create or increase the value of Property of the public sector and state-owned unitary organizations. The Budget Code of the Russian Federation has yet another opportunity to implement public investment - in the form of concession agreements [1, p. 79]. In general, investment in state property focused on ensuring the reproduction of the state sector of the economy.

In the Russian Federation not only narrows the concept of public investment to public investment, but also the possible sources of their formation - to the budgets of public law entities. As a result, the potential of the Russian state for investment activity are much wider than they are in reality [1, p. 6].

The objects of public investment are a capital construction (reconstruction, modernization) of state property: buildings, structures, facilities, construction of which has not been completed, except for temporary buildings, stalls, sheds and similar buildings.

The State shall take a direct part in investment activities in the form of capital investments through: the development, approval and financing of investment projects financed by the budgets of accommodation budgets to finance investment projects on an urgent basis, and return with the payment of interest on them in size, defined by the law on the budget for the year, or on the conditions of consolidation of state-owned shares in the relevant part, created by the company, granting concessions to Russian and foreign investors on the basis of bidding (auctions and tenders), in accordance with the legislation of the Russian Federation [2, p. 3.1].

The specific mechanism for the provision of investment at the level of the federal government is determined by normative legal documents such as the Government of the Russian Federation of December 31, 2009 № 1202 «On approval of the rules of the 2012 budget investment in capital construction projects of state ownership of the Russian Federation in the form of investments in fixed assets of the federal state unitary enterprise».

Taking part in the organization of public investment, the state in the face of public authorities has certain responsibilities assigned to each member of the investment process. As is well known in the investment process involved investors, customers, contractors, users of capital investment and other officials. Public authorities in the Russian Federation may be investors, customers, users of capital investment [2, p. 1]. As investors public authorities make capital investments in the territory of the Russian Federation with their own, and (or) the funds raised in accordance with the laws of the Russian Federation. Public authorities may carry out the functions and customers. As for the user to have the objects can be created by capital investment. As the subjects of investment activity, they may combine the functions of two or more subjects of the investment process [2, p. 4]. Thus, in the process of investing in the state property of the Russian Federation in the form of investments in fixed assets of the federal state unitary enterprises, federal agencies and the federal budget autonomous institutions may be bilateral contracts, in which the functions of the customer and the developer will perform these organizations, and may be triangular contracts that are participating as customers of public authorities.

The composition of the recipients of public investment is determined by the budget legislation. In the Russian Federation, the range of recipients or participants in the process of budget investment is defined in the Budget Code of the Russian Federation [1, Art. 79, 80]. The main beneficiaries of public investment in the form of investments in fixed assets are low cost and autonomous agencies, and state unitary enterprise. Financing of public investment can be carried out not only by government organizations of various legal forms, but also through non-governmental organizations. The principle of budgetary investment remains the same. They should increase the value of state property. According to the Budget Code, the implementation of public investment in capital construction projects of state and municipal property, which do not belong (do not qualify), respectively, to state ownership is not allowed [1, p. 79, § 7]. Non-governmental non-profit organization, regardless of the legal form of ownership, may also qualify for low cost investment, but in practice, the financing of capital investments at the expense of the respective budgets provided mainly to businesses and non-profit organizations receive budgetary investment is quite rare. Such entities can receive funding only if for any reason the investment project will have on the corresponding budget of great importance. Confirmation of the election of recipients of public investment is the dynamics of public investment under the federal targeted investment program. To finance capital construction projects owned by legal entities, which are not state or local government agencies, and state and municipal unitary enterprises are invited to send in 2012, 63.3 billion rubles, or 6.8% of the total budget targeted programs, 2013 will decrease to 42.9 billion rubles (5.2%), in 2014, 31.1 billion rubles (4.5%) [5]. Thus, the visible and the tendency to reduce the cost of investment by non-governmental organizations.

Public authorities constantly monitor the process of allocation of public investment and use. On a peri-

odic monitoring of budget implementation is carried out with the participation of the major investments of the budgetary funds. Failure to comply with the signed contract provides for the use of financial and other sanctions against the violator.

In modern Russia direct state involvement in investment activities carried out in accordance with federal and regional target programs [9, p. 29]. Since the programs contain specific goals, it is necessary to determine the final result produced by investment, to assess the economic, social and fiscal efficiency of implemented investment projects. Adoption of the Federal targeted program of investment (FTIP) in the 2006 budget investments united in a single document. FTIP reflects the investment potential of the state as an investor through the allocation of public investment by industry, customers and regions, on the objects of capital construction, otherwise the acquired property, with aggregate investment projects.

In modern conditions, the Russian government gradually moving away from the principle of the sole financing of investment projects, investment and part of a series of federal programs implemented by using various forms of PPP. The main form of PPP, which uses low investment, are concessions. The whole point of the concession is centered around state-owned, its creation and use. Under the law, the concessionaire manages state property funds recurrent costs, and makes new investments to maintain the property in a competitive state, receives income from its operation. It bears all risks associated with the construction, reconstruction, provides concession payments to the state. The Act provides for the establishment of fees for concession in various forms, but the basis for determining the amount of payment on the principle of return on investments. After the expiration of the concession agreement the property may be returned to the state, passed the concessionaire or shared.

In world practice, there are several options for concession agreements: construction, management, transfer (BOT) concession traditional (Brownfield contract); construction, ownership, management (BOO); build, own, manage, transfer (BOOT), a leasing contract (Lease contract), and others [7, p. 15]. The Russian Federation was originally used only one type of contract - the contract BOT. Concessionaire for a fixed period granted rights of ownership and use of state property created at the expense of public investment for its use (for example, the creation of toll road Don). Over time, changes were made to the legislation, and gradually began to be used and other forms of concession agreements, such as the concessionaire's participation in the creation of the property [3, p. 3]. Vnesheconombank developed a model of PPP-BOLT. When you create an automotive cluster in Kaluga was tested model TIF - tax increment financing - financing investment projects through tax increases. It is assumed that this model will also be tested in the implementation of the project «Integrated development of Yakutia» [7, p. 16]. The changes in the law have made it possible to use a Russian contract life cycle (LCC). According to the LCC, the private partner undertakes to create an object and maintain it throughout the life cycle, in accordance with certain aspects of the functional requirements, and the government assumes the risk of traffic LCC object and pays the private partner «service payments» in a predetermined volume. For example, according to this principle implemented transport infrastructure projects: including the creation of high-speed rail lines from Moscow to St. Petersburg (HPC -1), and Yekaterinburg, Kazan, Nizhny Novgorod -Moscow (BCM-2). The main form of state participation in the concession agreements remains low investment, though he may use other forms of appropriation from the budget.

In the twenty-first century changed the objects of concession agreements. In the early twentieth century to the concession passed mainly deposits, then at this stage in the concession are transmitted mainly infrastructure: roads, airports, seaports, railways, health facilities, education, sports, etc. For Russia it is important, because how the infrastructure is the most «sick» issue for the development of the economy. Less than 40 % of roads meet established technical and operational requirements; urgent replacement needs a huge amount of heating systems, water pipes and sewage pipes, and thousands of schools and hospitals are in poor condition. All attempts to enhance economic development hampered by the poor state of infrastructure. The spread of concession agreements in infrastructure will create competition in monopoly markets and, according to experts, to draw in the Russian economy additional investments of \$ 10.8 billion.

While the ability to implement projects under PPP schemes in the different segments of the Russian economy is not the same, in general, the trend of using this tool is assessed as positive.

**The findings from this study.** The modern development of the market economy has brought about changes in the content of the process of public investment. The main purpose of public investment - to achieve beneficial effects combined with the possibility of additional budget revenues (for example, through participation in the capital of organizations, rent, fees, participating in profits realized investment project, etc., through the privatization of state property).

More actively use the principle of co-financing of expenditure in the creation and operation of state-owned; it is manifested particularly clearly in the concession agreements.

The use of two models of budgetary investment is based on different principles. The concession is focused on the completion of additional budget revenues through concession fees, budgetary investment in capital construction projects - to increase the extent of state ownership. Therefore, it is appropriate to distinguish between these models. Proposed to retain the concept of budgetary investment expenditure budget of only being implemented in the course of implementation of concession agreements, or for co-financing, and the cost of setting up state-owned, implemented in full by the budget only to return the name of «capital investment».

The modern period - a period of public investment crowding out private investment. So, if in 2009 in the Russian Federation assumed for investment purposes (budget investments and subsidies for co-financing of capital construction state-owned entities of the Russian Federation and municipal property) use about 500 billion rubles, and by 2011 the volume of investments reached almost 745.8 billion rubles, after 2011 there has been a reduction in the federal budget for investment spending. Budget investment in capital construction projects of state ownership of the Russian Federation has already started to decline in 2012 to 726.2 billion rubles in 2013, is projected to decline further to 699.3 billion rubles, in 2014 - 604.3 billion rubles. The share of public investment in total expenditures of federal programs is reduced to 55.5 % in 2013 and to 54.8 % in 2014 [6].

The impetus for the turning point in the dynamics of public investment is the financial crisis in 2008, after which the budgets of public legal entities in Russia are scarce, and the government is trying to balance them by cutting costs. Many of the social costs cannot be reduced to ideological reasons, and therefore reduction will concern primarily the budget investments involving new construction and renovation

of state property. Another prerequisite for reducing public investment was their incomplete development. Several mechanisms have been ineffective investment budget. So, a lot of hope to the Investment Fund of the Russian Federation, but bureaucracy evaluation process, irrational and inefficient use of the fund forced the government to abandon the use of this method of financing public investment.

According to the Federal Law of the Russian Federation of November 30, 2011 № 371-FL «On the Federal Budget for 2012 and the planning period of 2013 and 2014», in 2014, the Investment Fund will not exceed 400 million rubles. (instead of 64.3 billion rubles in 2011). Imperfection of the budget legislation of the mechanism of public investment led to the phenomenon of corruption, embezzlement, misuse of budgetary funds, which also determined the reduction of public investment.

However, the main reason for the reduction of public investment called their lack of glamor. An indirect indication of this assessment is the dynamics of public investment to GDP and expenditure budget. Budget investments in Russia do not live up to their expectations and had little impact on the growth rate of GDP. It is quite natural that the government reduces the level of the instrument, giving way to a private investor.

Reached the end of the next stage of the use of public investment as an instrument of financial support for the economy. Again become a priority private investment, and government - are seen as less effective. Thus, the forecast of socio-economic development of the Russian Federation for 2012 and the planning period of 2013-2014 indicates that in 2011-2014 investment behavior will be largely due to the growth of private investment in the manufacturing sector while reducing the state capital investments in real terms.

Does this mean that the state waives this form of fiscal expenditure as an investment. Definitely not. Budget sector cannot exist outside of state ownership, and thus will cost the state related to the support and maintenance of public property. Once again, there is a problem of its optimization. The solution is not privatization, as it was in the 80 years of the XXI century, and various forms of PPP.

Current economic conditions have revived this form of co-investment as a concession. It remains the most compromising way of organizing investment by the state. It connects to the realization of the public interest, which protects the state with its economic interests; it is some potential for increased investment business.

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