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Peculiarities of Innovative and Investment Policy of Russia and its Regions in the Conditions of Crisis Development

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Abstract

The article presents the results of comparative analysis of conceptual approaches to understanding the nature and objectives of the national and regional innovation systems in which the prospects for socio-economic development of the country based on innovation and investment decisions are examined. The triumvirate of factors affecting the state of innovation area of Russia is allocated – a series of financial and economic crises, turbulence of the economic environment, geopolitical instability with the consequences of anti-Russian sanctions – and their impact on the economy is interpreted. It is stressed that the speed and scale of the economic transformations indicate the need to adapt the model of innovative development of Russia to the requirements of a sovereign development of the country and its transition to a new technological order. A description of the problems of investment of innovative processes is provided, and new approaches to their solution are opened up, including the implementation of new investment instruments. The necessity, possibility and urgency of an innovative breakthrough of the country is substantiated in compliance with a set of conditions, with the priority given to the formation of a system of strategic management of development of innovative economy that contributes to the identification and implementation of promising directions of economic development.

Keywords: **Innovation; Investment; Strategic Management; New Technological Order; National Innovation System; Regional Innovation System**

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INTRODUCTION

Russia's integration into the global economy highlights the task of strengthening the competitiveness of the national economy. Growth of the competitive advantages of the economic system in the long term is only possible with the development of the national innovation system, growing innovation activity of enterprises, creation and commercialization of new technologies and equipment that allow to reduce the extra expense and to produce products that are in demand on the international market. The Concept of the long-term socio-economic development of the Russian Federation for the period through to 2020 states that the effective implementation of the plan of socio-economic development of the country and its transition to an innovative model will be possible on the basis of the successful modernization of economy and social area. The Concept is based on the leading role of scientific and technical progress and intellectualization of the basic factors of production – processes that are made possible only by creating favorable conditions for innovation in the socio-economic environment.

The purpose of this article is a comparative analysis of conceptual approaches to understanding the nature and objectives of the national and regional innovation systems, peculiarities of the innovative investment policy in Russia, prospects of socio-economic development of the country based on innovation and investment decisions.

Relevance of the paper lies in finding ways to solve the key problem of the transition of the Russian economy to the path of innovative development in the context of anti-Russian sanctions, restricted access to foreign technology, presence of structural constraints to economic growth, reduction in investment, reduction in innovation activity. To eliminate existing barriers on the way to the new technological order, harmonization of the economic policy with the priorities of the long-term technical and economic development is required, in particular: formation of a strategic planning system for the identification and implementation of promising trends in economic growth; creation of institutions for financing innovative projects; provision of favorable conditions for innovation activity through the implementation of coherent macroeconomic policies.

METHODOLOGY

The study was based on a generalization of the known approaches of foreign and domestic scientists whose scientific works are devoted to problems of the socio-economic development, innovation and investment activity. The study is based on: the concept of periodic fluctuations in the economy [1] the concept of national innovation systems [2,3] innovation theory [4] process [5] and object [6] approaches to understanding the nature of innovation; investment theory [7] the theory of competitive advantage.

The formalization and generalization of the results of the study was conducted using scientific methods of cognition: the dialectical method, the method of analogy, analysis and synthesis, as well as using special methods of empirical knowledge: methods of scientific modeling, analysis of economic and statistical indicators, comparative analysis and expert evaluations.

RESULTS

Conceptual Approaches to the Study of National and Regional Innovation Systems

Formation of the concept of national innovation systems has led to the understanding of innovation activity as a multisectoral process involving the interaction of a large number of participants with different interests, competencies and capabilities, constantly interacting and sharing knowledge in order to create innovation – a new product or process [4,6].

The concept of a national innovation system was introduced for scientific use by C. Freeman in 1979. He defines the national innovation system as a network of institutions in the public and private sectors whose activities and interactions are aimed at the initiation, modification and distribution of new technologies [2].
From the papers of Russian scientists, we can bring the definition of the national innovation system proposed by N.A. Ivanova: "National innovation system is a set of interrelated organizations (bodies) involved in the production and commercialization of scientific knowledge and technology within national borders... In the framework of the national innovation system, the science is seen not as a closed system, isolated within academic institutions, universities and research centers, but rather as an organic element of economic processes taking place in the framework of national states, in the sectors of the economy, in large corporations and small companies [8].

The main objective of the innovation system is to ensure the effective flow of the entire life cycle of the innovation process. A set of legal, economic, organizational and financial instruments aims to solve this task. Currently, the work to support the national innovation system focuses on three areas: creating favorable conditions for innovative entrepreneurship; provision of funding the innovative entrepreneurship; development of science and education to train professionals and improve the quality of the research.

Innovation systems, along with the production system, financial system, labor market and industrial relations systems, should be considered as one of the subsystems of the national economy. The interaction and mutual compliance of all these subsystems is a factor in the success of the economic system as a whole [6,7].

The concept of the regional innovation system was formed somewhat later – in the early 90s of the XX century. The objective prerequisites for its occurrence were the sharp bitterness of competition on the world market and the growth of scientific and technological capabilities in connection with the development of new tools of knowledge and application of its results in business practice. These processes have contributed to the clear identification of the problems of traditional models of regional economic development. At the same time, they also stimulated the creation of new clusters in the area of high technology at the regional level [3].

Reasons for the study of innovation processes at the regional level:

- Ability to use specific local advantages in placing businesses and/or their subsidiaries in the conditions of intense global competition;
- Higher efficiency of regional management in creating a supportive environment, including in the development of non-commercial relations;
- Common economic interests and close socio-economic relations between the subjects of innovative activity within the region provide a synergistic effect of their activities.

The concept of regional innovation systems has been recognized and spread in the practice of many countries. More than 150 programs for the development of regional innovation systems are currently being implemented in the EU only. The effective application of the concept of regional innovation systems in economic policy is now seen in many rapidly developing countries such as China, India and some countries in Latin America [9].

In the last decade, Russian scientists also addressed the study of regional innovation systems. For example, Ivanov defines domestic innovation system as a federal-regional economic system, which was formed given the integration of the macro-level innovation systems created in the regions, which ensured the development of relevant territories into a single innovative hypersystem of the country [10].

Thus, the study of innovation processes – processes of creation, development, dissemination and use of innovation – in the contemporary scientific literature is carried out in all their complexity and in different directions: macro level – innovative processes and their management at the country level; meso level – innovative processes and their management at the regional level; micro level – innovative processes and their management at the enterprise level.

An innovative type of development, which provides for the harmonious development of scientific, technical, industrial, financial, social and other areas, was allocated among the various types of economic development that differed by structural sources of economic growth. The basis for the innovative type of development is an ongoing focused process of the search, preparation and implementation of innovation that enables enterprises to improve their production performance and, ultimately, meet the needs of society. This innovative type of development determines the growth of living standards and competitiveness of all developed countries [11].

Since an innovative type of development does not only depend on the ability of the country or region to generate knowledge but also on the capacity of introduction of scientific achievements in the economy, that is, the susceptibility of enterprises to innovate, the study of the role of small and medium innovative enterprises in the innovation system gains great importance. Taking into account the strategic importance of innovation for the socio-economic development of the country, it is also required to consider the role of the government in the development of innovative entrepreneurship, to explore current and future support mechanisms.

Formation of the System of Strategic Management of Development of Innovative Economy

The current state of the Russian economy and its prospects are closely linked with the state of the world economy that is in the process of transition to a new technological and global economic order. Exit of the world economy from the crisis is largely determined by the scale and speed of innovation paving the way to the emergence of new

technologies. The undergoing systemic crisis will be over in 3-5 years with the translocation of capital into the development of production corresponding to the new technological order [1]. This period of global technological shifts creates a "window" of opportunities, enabling lagging countries to make a technological leap and perform an "economic miracle".

The development strategy necessary for the successful modernization prioritizes the establishment of basic industries of the new technological order and bringing the domestic economy to the new long wave of growth associated to it. For this purpose, it is necessary to focus and direct resources to create the core of a new technological order and the formation of clusters of new industries to provide a synergistic effect; these transformations require harmonization of macroeconomic policies with the priorities of technical and economic development in the long term.

Implementation of such a policy entails the need to build strategic management system that solves the problem of determining the promising trends of economic growth, coordinating the activities of state development institutions and searching for tools of economic regulation of the implementation of scientific and technical solutions. This system includes: prediction of science and technology progress, strategic planning, selection of priority areas of increasing scientific and technological potential, their implementation through the adoption and budgeting of the target programs and indicative plans, implementation of methods for monitoring and mechanisms of accountability for the achievement of planned results. Given the crucial importance of state-owned banks, corporations, development institutions, it is required to accept the medium-term plans of the public sector balanced by production, investment and financial parameters. There should be a single set of documents of the socio-economic, sectoral and territorial strategic planning, and its development should be carried out on a single methodological approach. To organize and support the strategic management, the State Committee for Strategic Planning under the President of Russia is required [12].

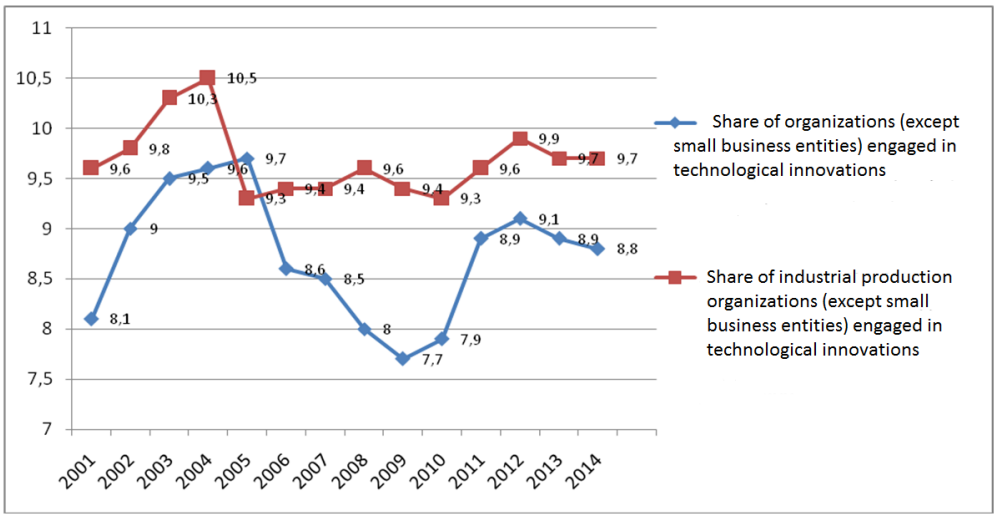
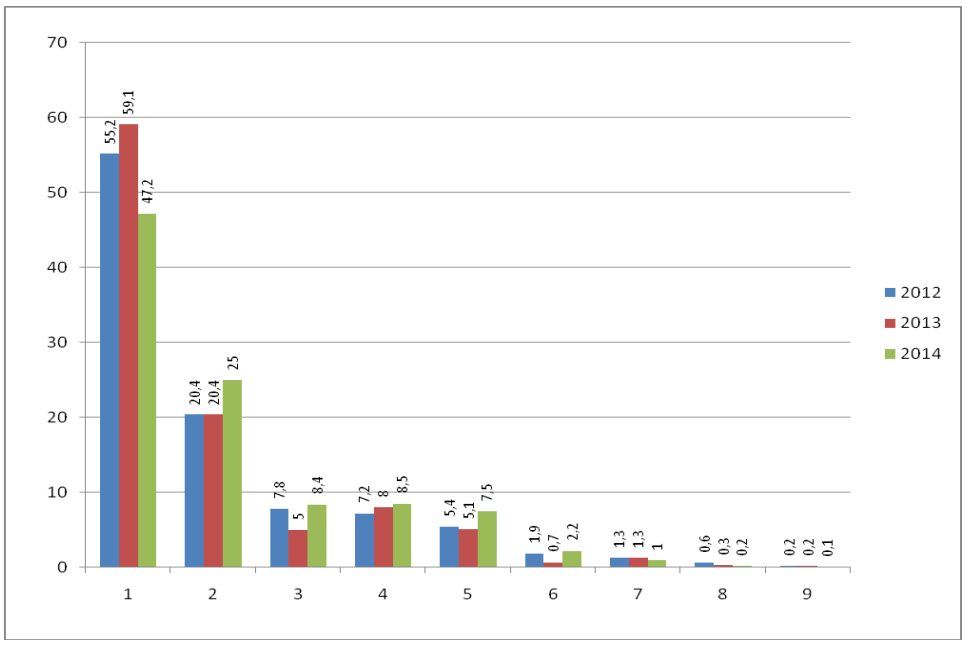


Figure 1: Share of organizations engaged in technological innovations, in % [13]

A sharp increase in innovative activity plays a key role in the modernization and development of the economy based on a new technological order. At the same time, a downward trend in the share of organizations engaged in technological innovations, including industrial sector, has been marked in Russia (Figure 1).

An analysis of the technological innovation cost structure shows that the purchase of machinery and equipment remains the main priority for the Russian companies. The amount of costs allocated for this purpose is almost twice higher than the costs spent for researches and developments and 22 times higher than the costs spent for purchasing new technologies (Figure 2).



1 – Purchasing machines and equipment
2 – Researches and developments
3 – Other types of production arrangement
4 – Other costs
5 – Designing production
6 – Purchasing new technologies
7 – Purchasing software
8 – Staff training
9 – Marketing researches

Figure 2: The structure of costs spent on technological innovations in industrial production by types of innovation activity: 2012–2014, in % [13].

On the one hand, this fact demonstrates the coordination between the policy of companies and the focus on the new industrialization based on the modernization of industry by increasing workforce productivity, and on the other hand, it indicates the lack of new technologies considered as a factor of the innovation-driven economy. Within the context of the ongoing sanction-based restrictions, a priority task for the Russian companies is to develop the import-substituting high technologies that provide for execution of the scientific developments in a wide range of scientific and technical issues that can bring the Russian economy on a new wave of economic growth.

In accordance with the Russian Federation Innovative Development Strategy for the period up to 2020 [14], the innovative development of the country can be carried out in three possible scenarios – as an inertial, overtaking, and leading development. The implementation of the first two scenarios, focused on the innovative development with the use of imported technologies, seems hardly feasible in terms of macroeconomic challenges. Moreover, the government's policy focused on introducing Russia as one of the world's technological powers makes the scenario of leading development of our country a priority one, which includes a number of promising directions such as an increase in the power of the industrial and technological capabilities through the development of the existing and creation of the new high-tech industries, including in the sphere of raw materials processing; the implementation of import programs; the enhancement of the energy and resource efficiency, the effective management of property; the creation of priority development areas for the implementation of mega and infrastructure projects; the implementation of investment projects based on the principles of the public-private partnership; the creation of the incentives for innovation activity of enterprises; the reduction of polarization of the regions based on the development of the system for strategic management of regions [15].

The implementation of these directions will lead to the expected results exclusively under condition of using the achievements of the scientific and technological progress, which in today's economy, accounts for up to 90% of GDP growth. Given the crucial importance and high uncertainty of research results, the state accepts the role of intellectual and information center dedicated to strategic planning and management of economic development, formation and development of the infrastructure of scientific and technological area that combines the base of fundamental knowledge (scientific organizations and universities, public research centers, federal centers of high technology, etc.), objects of innovation infrastructure (technology parks, innovation and technology centers, technological clusters, technology transfer centers, centers of collective use of equipment, business incubators, etc.), the system of promoting the development and diffusion of new technologies [16-18]. All countries in the world show a steady increase in R&D spending, the share of which in GDP is 4%, which is three times the research intensity of the Russian economy (Figure 1).

Currently, there is a critical situation in the Russian Federation with the development of scientific research and technological modernization of production associated with the transition to a new technological order. The reasons for the unfortunate situation lie in

the chronic underfunding of science development, destruction of cooperation of science and production, aging of scientific personnel and “brain drain”. In many ways they were the result of the privatization, which led to the destruction of the industry sector of applied science. The ongoing reform of the Russian Academy of Sciences does not affect the basic problems of management of scientific and technological progress, does not provide for the improvement of the institutional forms and methods of applied research and is not focused on the development and implementation of high science-intensive technologies (Figure 3).

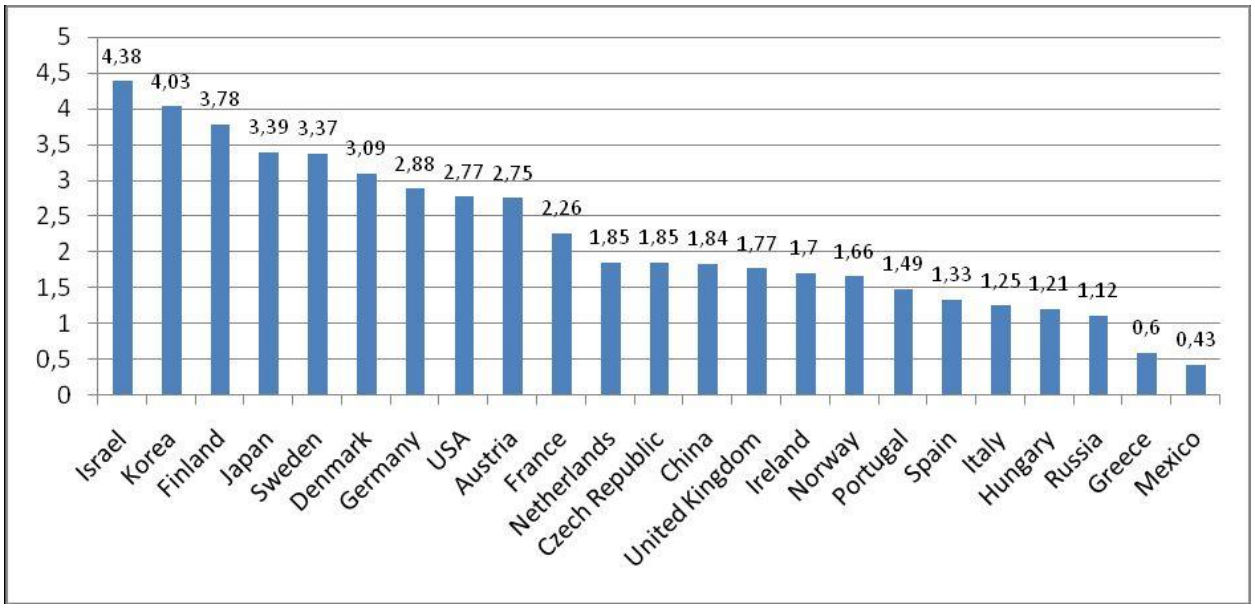


Figure 3: Domestic spending on R&D in Russia and OECD countries, % of GDP [19].

The legacy of the past also adds to the current problems, which include economic sanctions, the main threat of which is to isolate Russia from access to new technologies. If it is not neutralized, in a few years our economy would be in a state of irreversible lagging behind in the development of production of the new technological order, bringing of which to the long wave of growth is connected with the rearmament of the industry to a new level of efficiency. To prevent this gap, it is necessary, on the one hand, to tremendously increase the funding for R&D in key areas of growth in the new technological order, and on the other hand, to provide a radical improvement of responsibility of leaders of development institutions for the effective use of allocated funds. This requires the establishment of a modern system of scientific and technical development of the country that covers all stages of research and scientific-production cycle and is focused on the modernization of the economy based on a new technological order.

In managing the scientific and innovation activity, you must take into account that it covers all sectors of the economy [5] this implies that the management of science as a separate branch of the Ministry format is certainly inefficient. In order to implement a

systematic approach to the management of scientific and technological progress, end-to-end and full stimulating of innovative activity, it is advisable to create a supradepartmental federal body responsible for the development of the state scientific, technological and innovation policy, coordination of sectoral ministries and departments in its implementation – the State Committee for Scientific and Technological Development of the Russian Federation (SCSTD RF) under the President of Russia as a collective body comprising the heads of relevant ministries and departments, the Russian Academy of Sciences, federal institutions for R&D financing and support. Such a system of management of scientific and technological progress should help to identify promising areas of economic development in order to improve the efficient use of available resources by all business entities.

The most important task of the SCSTD RF should be to create conditions for an early recovery of applied science, the most important structural elements of which were destroyed in the course of mass privatization. The wholesale destruction of design institutes and design bureaus predetermined the trend of the industry transition to foreign technology base, overcoming of which requires the systematic cooperation of the state and the scientific and engineering community in the creation of a wide network of engineering companies, design and engineering organizations. There should be "a conveyor of knowledge" from basic science through applied research to the use of innovation in enterprises [12].

The working mechanism of the implementation of strategic and indicative plans of modernization and economic development on the platform of the advanced development of a new technological order can be directed lending to the growth of investment and production.

Problems of Investment in Innovative Processes and New Approaches to Solving Them

Innovation challenge to the outside world facing in the direction of developed and developing countries is to move to a new technological order. Business actively expands funding research and technology development, constantly launches new and upgraded products and services, while the mechanism of state support, which includes a variety of policy instruments (economic, financial, tax, etc.), allows to engage a wider range of participants in the innovation process and establish a sound scientific basis for the decision of the whole spectrum of socio-economic and environmental problems [19].

The established dynamic balance of constructive interaction of the private sector and the state has been compromised as a result of a succession of successive crises, which started in the 1990s: business experienced a massive drop in demand for products and services, including high-tech, and the state was forced to cut funding for innovative projects in terms of the budget deficit. Compared with advanced and rapidly developing countries, the processes of technical rearmament in Russian business lag in speed and volume; the potential of domestic manufacturers in the field of high technologies is

under-utilized; reliance on imported technology grows. There is deterring interest of foreign investors in the Russian market caused by factors of different genesis – industrial, institutional, geopolitical. The closeness of corporate structures also plays an important role in limiting the revitalization of foreign investors in the Russian market. The same factors impede the strategic innovative activity of Russian business [20].

The protracted economic crisis of the 1990s was marked not only by a reduction in investment and a fall in demand for innovations: the units providing interaction of domestic developers of the new technology and potential investors proved largely destroyed. Many scientific and industrial ties were broken that could form the basis of formation of the effective national innovation system. The possibility of importing technology that emerged in the same period (in large part due to investment loans) has led to the fact that the surviving elements of the domestic investment and innovation capacity were "blocked". Although innovation activity of Russian enterprises began to "come alive" after the crisis, it still has a very low performance. For example, the share of expenditure on technological innovation in the volume of goods shipped and services rendered in 2014 amounted to 3.3% (2009-4.3%, 2010-3.4%, 2011-4.7%, 2012-1.8%, 2013-3.2%). The share of innovative products and services rendered in the volume of goods shipped in 2014 amounted to 8.2% (0.7 percentage points less than in 2013). On the world market of high technologies, Russia accounts for less than 1% [14].

In the context of serious external challenges, sanction wars and demand limits, the prospects for economic growth in Russia depend primarily on the capacity of its own resources and the dynamics of domestic spending. The state can and should become the main generator of domestic demand at this stage, and it is not about building its current costs, but more about its investment costs. The investing state intends to concentrate its efforts on financing projects that contribute to the development of infrastructure and high-tech manufacturing [17].

The peculiarity of the situation lies in the fact that the result of the state capital investments will not be crowding out of private investment (the so-called crowding-out effect), but their attraction (the so-called crowding-in effect). Investments in infrastructure often have such an effect, as they create favorable conditions for private sector development. Using the mechanism of "revolving state investments" (public investment in large projects – conversion of built capacity into commercially attractive objects – sale to the private sector – use of the proceeds for the construction of new facilities of strategic purpose) can further enhance the positive role of the state capital investments [15].

The search for new investment instruments forced to turn to the experience of the investment market in developed countries, where the practice of crowd funding was established in the past 10-15 years. This new term for Russia can be translated as "national funding". The economic essence of crowd funding is the total or partial repayment, as well as the profitability of investments; an investor can get a bonus as

compensation for invested funds – for example, a sample of products manufactured by the new company, a startup debt or stocks.

In the USA, crowd funding has become a full-fledged component of the financial market in 2012, with the adoption of the American Jobs Act. This law was aimed at the liberalization of private investment and allowed individuals and companies to invest in a wide range of companies and their unlisted securities, whereas before investments could only be accepted by legal entities with a special permit. The purpose of the adoption of the law was to increase the population activity in investing available funds due to the removal of obstacles to financial flows; support new projects (start-ups) in various sectors of the economy; stimulate innovation activity of the US economy by offering the project authors new opportunities in the search for funds to implement them. Since then, hundreds of crowd funding platforms in the USA have been engaged in providing various investment projects to potential investors. Of them, several online platforms have reached multimillion-dollar annual turnover. Record turnover in this market exceeds $2.5 bln annually. As a rule, they are located in three jurisdictions: the United States, Great Britain and China [21].

Transactions concluded between depositors and borrowers have different shapes. Investors can get a share in the business that they are interested in and in the development of which they want to participate. The contribution may also be issued in the form of debt of a person or company that attracts investment, or as a pre-order of the product that is going to be produced by the newly formed company. The borrower can also guarantee a certain gift to the investor. Options that combine several types of refunds are also possible – 59% of crowd funding platforms in Europe operate using this model. Platforms can act solely as an intermediary connecting the borrower and the lender or guarantee the return on investment in whole or in part. At the end of 2013, 72% of the fund-raising campaigns in the EU were successful (75% of the world as a whole), and in some cases the amount of funds raised significantly exceeded the initial requests of the entrepreneurs. The average amount raised through crowd funding for the development of new business amounted to an average of 113 thousand euro. In 2013, the global turnover of crowd funding was $6.4 bln, of which Russia accounts for less than $1 mln [22]. There are already several Internet platforms dealing with crowd funding in our country. At the same time, most of the proposals contained in these sites are non-commercial. The real business plans that use crowd funding methods to collect funds for the development are still rare enough.

Another promising investment tool for innovative projects is a public-private partnership (PPP). The PPPs vary in form and objectives of the program, their goals may be the following: acceleration of the transfer of research results and scientific and technical developments carried out with the involvement of the federal budget; launch of R&D results obtained by the state on the market; support of small and medium enterprises, including the promotion of the creation of startups and spin-offs of the companies by government agencies; development of cluster research focused on the market [23].

In the developed economies of the world, the PPP has become one of the most important forms of realization of the federal technology programs. The ratio of public and private funding in the programs is determined, above all, by the indicator of the parties' interest in the results of research. If the PPP is focused on getting a relatively quick profit and commercial benefit from the results of studies is obvious, it will entail the expansion of the share of participation of the private sector as the main acceptor of income. Reduction in the financial participation of the private sector and an increase in government capital investments in the research project will be noted provided the general diffusion of technologies within the consortium of participating institutions. The factors determining the proportions between the company's own funds and budgetary resources for research and development are the following: amount of required resources; speed of the commercialization of the obtained results; risk of a negative result; traditions established in the country. The mutual benefits for the state and the private sector from co-investment to innovative projects are considered as absolutely obvious (Table 1).

Table 1: Potential benefits of effective organization of public-private partnership in the field of investment in innovative projects.

Potential benefits	
For the state	**For the private sector**
raising financial funds of the business; gaining access to the alternative sources of capital make enables the implementation of socially important and urgent projects, which in other circumstances could be impossible; new quality of the project management by bringing in professional managers from the business; improving the efficiency of the project on the basis of the mechanism of market competition; the reliability of obtaining a timely positive result under minimization of costs and acceleration of the profit extraction terms; the high potential of innovative approaches to the creation and management of public infrastructure; use of information on the strategic plans of business in order to harmonize them with the strategic objectives of development; increasing the level of innovation development and competitiveness of the country on the world stage	investment of projects with low risk; gaining access to state institutions; participation in the discussion of the project and deciding upon the strategic decisions; the acquisition into a long-term ownership and the use of state assets with the ability to produce a stable income in the long term; increasing the business profitability during the period of state contract validity; additional revenue; prospects for business expansion; the guarantee of the funds return on the basis of ensuring a mutually acceptable level of profitability by the state; formation of a positive image and strengthening of business reputation by the tools of social advertising and a positive assessment of the society; harmonization of plans for the development of business and the state

The broad perspective of the PPP program implementation in innovation area is provided by a number of government programs, including the programs "Development of science and technology for 2013-2020" (executive in charge is Ministry of Education and Science), "Economic development and innovative economy" (executive in charge is Ministry of Economic Development), "Development of industry and improving its competitiveness in the period through to 2020" (executive in charge is Ministry of Industry and Trade).

DISCUSSION

Sharing the view of the state of crisis in the modern economic theory, the theory of innovation that formed the basis of this study is one of the possible additional research programs, which to some extent has the nature of alternative modern orthodoxy. On this basis, we should note the relevance of the study from the standpoint of economic theory in general and in relation to solving the problems of innovative development of the economy in particular. The relevance of the study is determined by the fact that there was an attempt to describe, explain and predict the evolution of the phenomenon of an innovative economy with instruments of the theories of innovation and investment. We note that in the period after 2008, which marked the beginning of the global financial and economic crisis, the development of which has not been predicted by economics and the observed breakthrough innovation development in developing countries based on building of national innovation systems, this study is of particular importance.

The high reliability of the obtained results is based on the works of foreign [2,5-7] and domestic [10,15] scientists. A distinctive peculiarity of this study is analysis of the innovative development of Russia in the conditions of the triumvirate of factors: effects of a succession of financial and economic crises, turbulence of the economic environment, sanction limits of Russia, including access to imported technology. The urgent need for the formation of strategic management of development of innovative economy, finding internal sources and alternative tools for investing in innovation activity, increasing quality of innovation and investment process, use of the chance for a technological breakthrough are the challenges of today, and their solution requires the formation of a model of the institutional environment, which allows to effectively form and develop conditions for the production and transfer of innovation at a new level.

CONCLUSION

The results of this study strongly suggest that the present stage of socio-economic development of Russia puts on the agenda the primary task of the active innovative development, which imparts the domestic economy the investment attractiveness. Despite the decreasing resources, reduction of income and decline in economic activity, by far Russia has the necessary reserves for innovative growth. Possessing powerful

primary natural resources and military potential offers Russia objective opportunities for a sovereign policy that outstrips the development of the new technological order even in the event of a catastrophic scenario of the global crisis. But it is only possible to realize the leading position in the relevant areas of innovative breakthrough under certain conditions: rapid build-up of multiple investments, significant rise in the overall level of innovation activity, implementation of a coherent macroeconomic policy with the vector in the technological breakthrough in all sectors of the economy.

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