



Managing investment strategy of the sovereign wealth funds: business opportunities

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Abstract: Managing the investment strategy of SWF presents new business chances. Many SWF successfully invest in different spheres, including finances, infrastructure, business and social projects, etc. In Russia investment strategy of the sovereign wealth funds in the conditions of the discussions about the exhaustion and the cessation of operations of the Reserve Fund and National Welfare Fund is a big problem. The article is devoted to the search for possible solutions to the problem.

Keywords: investment, investment strategy, sovereign wealth funds, Reserve Fund, National Welfare Fund, oil, Russia, the economy, price of oil.

In 2016 there were about 100 sovereign wealth funds (SWFs), which are active institutional investors. Fig. 1 shows the dynamics of growth of assets under management of sovereign wealth funds in the period from 2008 to 2016.

As it can be seen from the graph, the volume of assets managed by the funds rose from 3.07 trillion dollars in December 2008 up to 6.51 trillion dollars in March 2016, in the assets structure were dominating the assets related to hydrocarbons [1].

Fig. 2 shows the main directions of the investments of sovereign wealth funds by asset class. Leading positions in 2014 – 2016 were held by investments in assets with fixed income, public equity, infrastructure

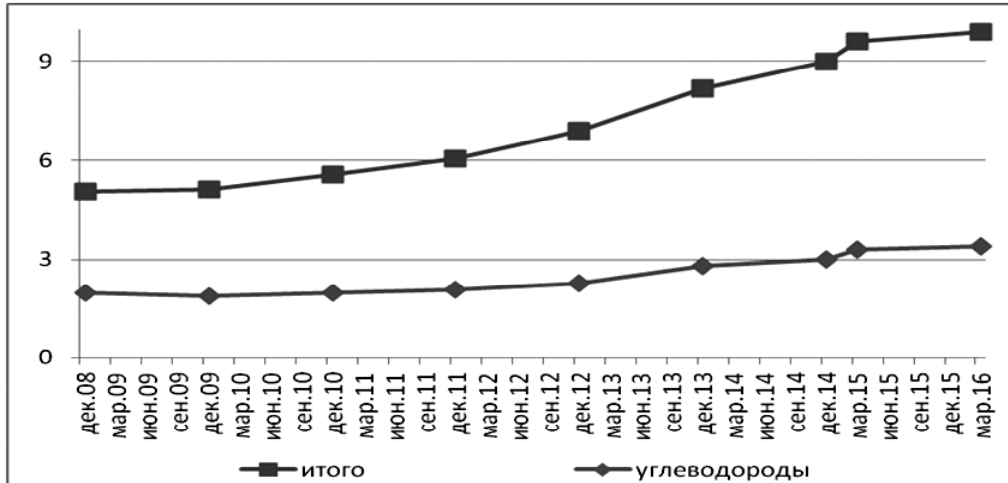


Figure 1: Assets under management of the SWFs, bln. dollars, Source: [1].

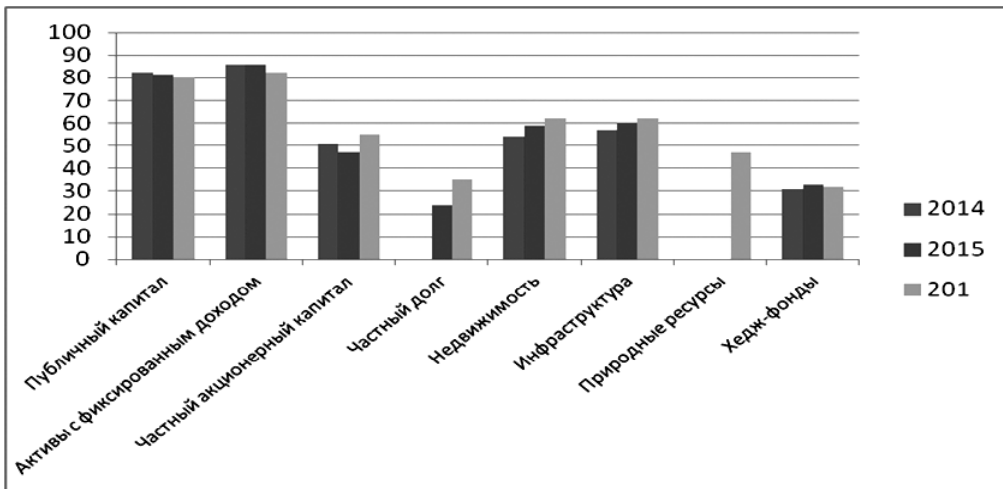


Figure 2: Investments of the SWFs by asset classes, percent, Source: [1].

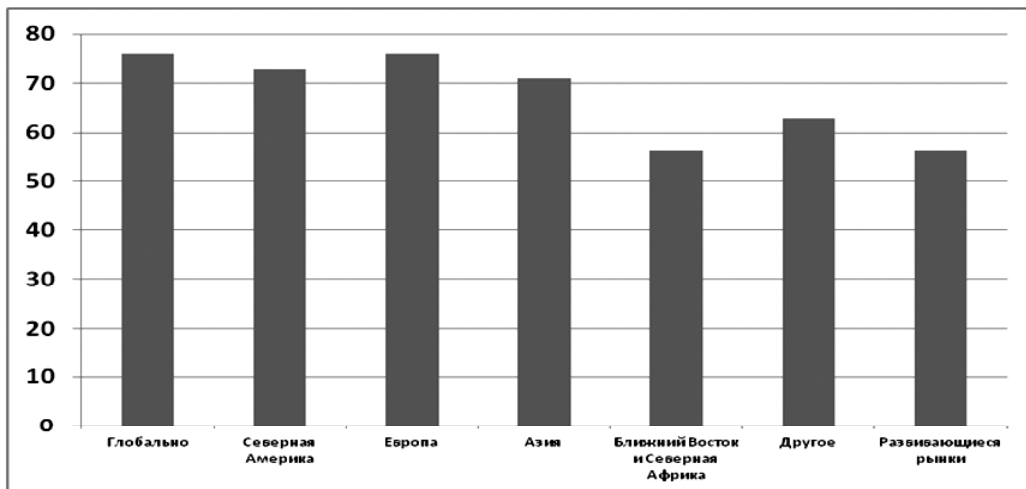


Figure 3: Investments of the SWFs in public assets by regions, percent, Source: [1].

and real estate, further followed by investments in private equity and hedge funds. Since 2015 sovereign wealth funds started investing in private debt, and from 2016 they invest in natural resources [1].

Fig. 3 reflects the preferences of the sovereign wealth funds in the selection of investments by region. Most foundations prefer to invest in global investment and investment in North America and Europe [1].

The unfavorable situation on the market of hydrocarbons has had its impact on the activities of sovereign wealth funds. In 2014, sovereign wealth funds' investments equaled about 7.3 trillion dollars [2]. In 2015, after the fall of hydrocarbon prices on the world market the assets of sovereign wealth funds increased up to 7.4 bln. USD, that is only 1.4% below the average annual growth rate in the previous five years (12%) [3].

Despite the continuing popularity of large infrastructure projects and real estate transactions, the value of foreign acquisitions made by SWFs in the fourth quarter of 2015 totaled 23.5 billion. USD., that is 13% less than in the third quarter [3].

According to Thomson Reuters data, SWFs carried out 25 deals in the period from October to December 2015 – that is 6 transactions less than in the third quarter. For the entire 2015 SWFs have invested in 127 transactions, whereas in 2014 this figure amounted up to 148 transactions. The total value of transactions in 2015 reached 68.7 billion USD, that is 6.9% less than invested in 2014 73.8 billion USD [3].

However SWFs are still quite active and continue to invest, and the observed decline in investments is not large enough to be caused by the reduction of prices of oil and other commodities [3]. The list of such funds include the SWFs of Norway, Qatar and Abu Dhabi.

Approximately 40% of SWFs assets, according to JPMorgan Asset Management, do not depend on the income from the sale of raw materials, and therefore are less susceptible to fluctuations in commodity prices. SWFs prefer infrastructure projects, since they are a source of long-term and steady stream of income. [3]

At the same time, the drop in revenue from the sale of raw materials forced the sovereign wealth funds which function in countries - oil producers to begin selling foreign assets and withdraw money from the investment management companies to replenish depleted budgets, and to maintain profitability in order to invest in risky assets [4].

In the second quarter 2015, as indicated by the data research of the company eVestment, sovereign wealth funds withdrew \$16.2 billion from third-party companies involved in asset management, compared to the revised figure of \$ 10.1 billion in the first quarter.

The outflow of capital was the second largest in five years, it reached almost to the level of the strong outflow in the third quarter of 2015, which equaled \$ 22 billion, when oil prices have fallen by about 25 percent [5]. The lack of federal budget funds for financing their expenses lead to the fact that a number of SWFs decided to put on sale their assets.

For the first time in 20 years of the functioning of the Government Pension Fund of Norway, the country decided to use its resources in order to balance the state budget of the country. The Fund intends to spend its reserves in the amount of 208 billion NOK (US \$ 25.7 billion) - It is almost all the income that the country expects to receive from the sale of oil and gas in 2016 [3].

At the end of 2015, according to the statements of the fund, the profitability of the Norwegian Government Pension Fund, the largest sovereign wealth fund in the world, was only 2.7% or 334 billion Norwegian kroner (\$ 39.1 billion).

A year ago, the profitability of the Fund amounted up to 7.6%. The indicators of the end of 2015 are the most modest in the last four years [4]. In particular, equity investments brought the sovereign fund the yield of 3.8%, investments in bonds - 0.3%, investments in real estate - 10%.

Investments by the government in the past year have been minimal since 1999 and amounted up to 42 billion Norwegian kroner (\$ 4.9 billion). That is well below the average level of government support over the past 18 years, which was 187 billion kroner a year (\$ 21.79 billion) [4].

According to Yngve Slyngstad, the General Director managing the fund Norges Bank Investment Management, "2015 was volatile, accompanied by negative interest rates, the turbulence in the currency market, the fall in oil prices and the weakening expectations regarding growth in emerging markets" [4].

In 2015, the proportion of shares in the fund's portfolio was 61.2%, bonds - 35.7%, investments in real estate - 3.1%. The yield on investments in stocks and bonds exceeded targets by 0.5%. The market value of the fund's assets amounted up to 7.5 trillion NOK (\$ 856 billion) which differs compared with 6.4 trillion NOK in 2014.

The average annual yield of the Fund over the past 10 years was 3.35%, with the target of 4%. Slyngstad called satisfactory the final results of the activity of the fund. Negative profitability was avoided through increased investment in real estate (in the past, the fund has invested in unlisted real estate funds 44.2 billion NOK (\$ 5.2 bln.), and investments in shares of Japanese companies and drug manufacturers as well. Profit from these operations outweighed the losses from oil assets and investments in emerging markets, particularly in Brazil. Loss-making assets in this Latin American country amounted up to 38.2%. The inflow of funds from taxes in the oil industry, Statoil dividends and direct investments of the fund in the Norwegian oil and gas reserves amounted up to 42 billion NOK last year (\$ 4.9 billion).

The increase in the fund assets was due to the capitalization of investment income, capital inflows and exchange rate fluctuations. In particular, the weakening of NOK against many currencies in which the fund invests, increased the value of its assets up to 668 billion NOK (\$ 76.3 billion) [4].

Saudi Arabia is also considering different options for cost savings due to the unfavorable external economic conditions that influenced the decrease in investments of SWFs: after reaching a peak of 737 billion dollars in the summer of 2014, the foreign investments of the kingdom felt down to \$ 654.5 billion in August 2015, the implementation of most projects is extended, the first time since 2007 is planned the issuance of the governmental bonds. [3]

Saudi Arabia has become a leader in the withdrawal of funds, ending 2015 with a budget deficit of 367 billion riyals (\$ 97.8 billion). Unlike sovereign UAE fund, Qatar and Kuwait funds, which, like Norway, were buying stakes in the major Western companies that invest in real estate, the Saudi SAMA sovereign fund allocates funds in highly reliable assets - US Treasury bonds, and distributes them in large deposits banks.

The investments in equities account only about 20% of the fund's assets. Thus, the yield of the Fund is lower than the funds of the Gulf countries, which have a more risky investment strategy [4]. By March 2016 the sovereign fund of Saudi Arabia has reduced the amount of foreign assets to a record amount of

\$ 727 billion in August 2014 to \$ 616 billion. Between March and September, in particular, the fund brought to Western markets \$ 50-70 billion, and in October the fund sold shares only traded on the NASDAQ companies for \$ 1.2 billion [4].

UAE, Kuwait and Qatar also lack resources, and are engaged in the search for additional sources of funding. Thus, SWF Abu Dhabi Investment Authority of the UAE, has assets in 773 billion. USD. This fund began to test the largest state-owned companies and is thinking about selling them.

Qatar Investment Management (Qatar Investment Authority, QIA), which owns shares in Glencore and Volkswagen, recently sold its stake in the French construction company Vinci, valued at about \$ 400 million. Deal with stake Vinci occurred only two months after the sale of QIA of two office buildings in London of more than 550 million pounds (US \$ 851 million) [3].

The Qatar sovereign fund Qatar Investment Authority has to make changes to its investment policy. It does not publish reports, the Sovereign Wealth Funds Institute estimates its assets at the level of \$ 256 billion, in 2014 the estimations were approximate and estimated the assets of the fund at the level of \$ 100-200 billion. The deficit of the emirate's budget is estimated at 4.9% of GDP. Initially, Qatar fund focused on buying European blue chips, such as Volkswagen, Total, Credit Suisse, the Swiss oil trading company of Glencore, the European assets accounted for 80% of the fund's investments.

In 2015, the fund was forced to sell its stake in German construction company Hochtief AG, two large office buildings in London for \$ 845 million, share in the Miramax film studio and the French construction group Vinci. However, in March, 2015 the fund acquired the office properties in Los Angeles for \$ 1.35 billion.

Kuwait also faced with the problem of the budget deficit, which stands at \$ 27 billion (about 15% of GDP). Its sovereign wealth fund Kuwait Investment Authority (fifth in terms of assets amounting \$ 592 billion, according to the Sovereign Wealth Fund Institute) is preparing to sell off its assets, the yield of which is below 9% a year. Their cost is estimated at \$ 30 billion. The investment fund has a very diversified portfolio. It includes stocks, bonds, and real estate in China, Europe and the United States. In the spring of 2015 the fund announced a reduction of its presence in the US in favor of Europe - it has attracted the European Central Bank launched a program of quantitative easing [4].

The problem of financing the federal budget deficit exists in Russia as well. Analysts predict the complete exhaustion of the Russian SWFs in the short term. Currently, the National Welfare Fund is invested, but the yield is not high enough, the return on investment is low, part of the funds are invested and used for other purposes, than it was planned, which requires raising the level of control of the investments of the funds.

SWFs are beginning to attract development projects: the construction of infrastructure facilities, highways, railways. Politically motivated investments with the growth of the volume of funds invested can result in an increase in risks and even to narrow the field of cooperation of Russia with other actors of economy [6].

The macroeconomic situation in the Russian economy does not create the objective conditions for the growth of direct investment. Almost zero growth (perhaps at the level of 1.2% this year), rising inflation (around 7% for the current year), the high level of monopolization of the economy, corruption risks and the risks for the protection of property rights have a very negative influence on the economy [6]. In order

to solve the problem of financing the budget deficit, the Ministry of Finance proposes to suspend the financing of the investment projects from the National Welfare Fund (NWF) [7].

The process of freezing the financing of the current investment projects from the NWF in the amount of 261 billion roubles is indicated in the documents of the Ministry of Finance and is needed in order to meet the target budget deficit for 2017-2019 years. By increasing the liquid part of the National Welfare Fund, which is not reserved for investment projects, the Ministry of Finance plans to finance the budget deficit [7]. According to the calculations of JP Morgan, made in January 2016, the sales of sovereign wealth funds are directly proportional to the oil prices: the funds liquidate the shares in the amount of \$ 75 billion in 2016, based on the oil price of \$ 31 per barrel.

Since February, the oil, which was falling down below \$ 30 a barrel, that means to the lowest levels in a decade, began to grow, spurred by the false, but constantly repeated message about the inevitable reduction of the OPEC production [8]. A few months later, oil prices have doubled, reaching \$ 50 per barrel, despite the warnings of many analysts, that demand is clearly insufficient for such a large offer, that prices remain at such high levels [8].

The main beneficiaries of this small increase in oil prices were those sovereign wealth funds, that actively got rid of shares at the end of 2015 - beginning of 2016, which now suspended the sale, when oil rose up above \$ 40 a barrel.

In this illiquid market with its low levels of operations, the absence of these sellers was sufficient, that the indicator of S & P rose up to record levels and was only slightly below 2200 points, that means, to a level that even Goldman calls territory of the financial bubble [8].

Thus, the decline in hydrocarbon prices and the unfavorable external economic environment as a whole contributed to lower level of investments or the total freezing of investments of SWFs, the creation of the problem of financing of the federal budget and the need to use the accumulated funds of sovereign wealth funds in different countries of the world.

Economic security involves achieving a state of the economy, which provides a sufficiently high and stable growth of economic indicators, that effectively meets economic needs; state control over the movement and use of national resources; protection of economic interests of the country at the national and international levels.

The economic security of the region is interpreted as an aggregate of the current status, conditions and factors that characterize the stability, sustainability and sustainable development of the regional economy, a certain independence and integration with the economy of the Federation, which is expressed in the following forms: the possibility of their own economic policies within the Federation; the ability to adequately respond to the dramatic geopolitical changes in the Federation; ability to carry out (to start) the major economic events (without waiting for assistance from the Federation) on urgent socio-explosive situations of local economic disasters or economic failures at the federal level; possibility on a contractual basis to provide assistance to neighboring regions where there is an unbalanced economic conditions may adversely affect the economic interests of the region; the ability to stably maintain compliance with existing (active) in the territory of prudential standards generally accepted in the world, which would provide a high standard of living.

Economic security is the most important quality characteristic of the economic system, which determines its ability to maintain normal living conditions of the population, sustainable resourcing of the national economy development [10].

According to the National Security Strategy of the Russian Federation, among the main strategic threats to the national security in the economic sphere are the low competitiveness, preservation of raw materials export model of development and high dependence on foreign economic conditions, the lag in the development and implementation of advanced technologies, the imbalance in the national budgetary system, the lack of resources for lending, insecurity of the national financial system. In 2016 Russia is on the 43-th place out of 138 countries in the ranking of global competitiveness of the World Economic Forum (WEF).

According to Robert Crotty who is responsible for the preparation of the rating of the Russian sector, Russia's competitiveness is "more or less stable" compared to 2015, inflation remains one of the major factors that hinders business in Russia, among the other factors are the reduction of funds that the state can invest in the improvement of competitiveness in the future. On the other hand, Russia was able to activate other resources within the country [10].

Lower oil prices dramatically affected the Russian position in the macroeconomic index - the country fell by 51 place to 91-th place. Affected by the high inflation and the closing of the international financial markets for many Russian enterprises, the financial sector suffers from low capital inflows due to the drop in revenues from hydrocarbon exports. Low commodity prices have affected Russia less than the other Eurasian countries: the level of public debt remains relatively low, and national savings have not changed. For financing the budget deficit the Ministry of Finance is selling the currency reserves of the Central Bank and as a result the national saving were unchanged [11].

Oil remains the dominant export product of Russia, and the export of non-primary goods barely increased. According to the Federal Customs Service, the basis of Russian exports still account for fuel and energy products. Although the cost of fuel and energy sector exported products decreased by 38.9%, while the physical volume of supplies of raw materials fell by 0.6%, the share of these products is still "the lion's share" of exports - 60.7% [12].

The weakening of the ruble destabilizes the most important sectors of the economy, are deprived of financial resources. Weak ruble together with high interest rates on loans inhibits the production of capital goods and infrastructure, which has a negative impact on investment activity and GDP.

If the authorities decide on targeted support troubled industries, it will lead to an increase in inflation by 2.5 percentage points, indicate the calculations of economists. In order to solve the problem with the listed imbalances in the economy, it is needed to invest in the development. According to the latest data from Rosstat, in January-November 2015 the decline of investments in fixed assets amounted to 5.5% in the Russian Federation to the same period of 2014. Investment continues to decline in Russia for the third year in a row [12]. It means that imbalances remain and this situation will continue in 2017.

Among the main problems in the financial system may be noted that the post-crisis resumption of the Russian economy in 2010 - 2015 in the same capacity as in the 2000s, that inevitably recreates the financial system based on raw materials. In order to solve the problem of financing, the Russian government has allocated grants to subjects of the Federation in support of measures to balance the

budgets. Grants in the amount of 20.9 billion rubles for the local budgets are available for 44 subjects of the Russia Federation. 8.6 billion rubles will be sent to ensure the balanced regional budgets, and 12.3 billion rubles will be sent for partial reimbursement of additional costs of the Federation wage increase of the public sector employees [13].

The budget deficit is still large: in 2017-2019, according to the Ministry of Finance, it will be about 6 trillion rubles. And at this point in the Russian budget there is no more than half of this amount, 3.5 trillion rubles (assuming for the year). The only alternative in this case would be the resources of the sovereign wealth fund National Welfare Fund (NWF) that are not increasing, and on the other hand are rapidly declining. The economy is in the process of liquidation of macroeconomic problems with the budget deficit.

One of the main problems is the task of rapid uplift of the standard of living, it means, for example, sending money from the National Welfare Fund for social and infrastructure projects, in order to carry out an ambitious policy to support small and medium-sized businesses, to create jobs, to simulate the industry.

However, now the Ministry of Finance proposed to freeze all infrastructure projects to 2 trillion rubles, in order to save resources for financing the budget deficit that requires the entire volume of Russian reserves. In the future, this will ensure that the budget deficit will be reduced, the standard of living rises will be even slightly reduced [14].

The sanctions introduced against Russia have an impact on the Russian economy through restrictions on the transfer of technology. At the same time these measures are detrimental and those countries which have introduced restrictions.

Other factors that have a negative impact on the Russian economy, are: the fall in oil prices and the decline of the national currency quotes, the need to increase allocations from the federal budget in order to support industries that have come under the sanctions, significant losses in the future for the budget in connection with the termination of contracts with foreign companies (dismantling of the “South stream”, refusal “the BMW” on the construction of a factory in Russia, etc.), reduction in purchasing power during the growth of prices on most goods (electronics, cars, food, etc.).

In this regard, the main tasks now are the elimination of imbalances in the economy, reducing the level of inter-regional differentiation in the socio-economic development of the Russian Federation, reduced vulnerability to external negative factors, pragmatic participation in international economic cooperation, increase of the efficiency of public administration in the economic sphere [14].

Achieving these objectives should be obtained through the implementation of such measures, as the development of industrial and technological base and the national innovation system, modernization and development of priority sectors of the national economy, improvement of Russia’s investment attractiveness, improvement of the financial and banking system, improvement of the business climate and creating a favorable business environment.

Energy security is defined as one of the most important areas of economic security in 2017 and includes a sustainable supply of domestic energy demand, energy efficiency and increase energy efficiency, the competitiveness of domestic energy companies and energy producers, the stable operation of energy systems and heating.

Measures aimed to ensure the food security in 2017, should include the accelerated development and modernization of the agro-industrial and fishery complexes, food industry and infrastructure of the internal

market, improving access to agricultural producers in the products markets, preventing the uncontrolled circulation of genetically modified organisms and products obtained with the use of such organisms, improving the system of technical regulation, sanitary supervision, control in the field of food safety to human health.

The main directions of state policy in 2017 should aim the reducing of the social and income inequality, food security, greater availability of comfortable accommodation, high quality and safe goods and services, modern education and health care, the creation of high-performance workplaces [10].

Development of business and enterprises is of a great importance in Russia at the current stage. 1 August 2016 there were 5523765 enterprises registered in Russia. This number included 2594355 enterprises and 2929410 individual entrepreneurs (table 1). According to the criteria of determination the type of the enterprise (table 2), there were 2335579 microenterprises, 238796 small businesses, 19980 medium enterprises. Among individual enterprises there were 2900085 microenterprises, 28953 small businesses and 372 small businesses [15].

Table 1
The number of enterprises in Russian Federation on 01.08.2016

Total		Enterprises			
		Total number of enterprises	Micro-enterprises	Small business	Medium business
Russian Federation	5,523,765	2,594,355	2,335,579	238,796	19,980
Total		Individual entrepreneurs			
		Total number of enterprises	Micro-enterprises	Small business	Medium business
Russian Federation	5,523,765	2,929,410	2,900,085	28,953	372

Source: Resource center of small business, <http://rcsme.ru/ru/statistics>

Table 2
Criteria for determination of the type of the enterprise

<i>Categories of enterprises</i>	<i>Number of employees</i>	<i>Income of the enterprise</i>	<i>Other criteria</i>
Micro-enterprise	< 15 people	< 120 bln. roubles	– The total share of the participation of the state, the subjects of the Russian Federation, municipalities, public and religious organizations (associations), charities and other funds in the authorized (share) capital (unit trust) of not more than 25%, except for the total stake, which is part of: – assets of joint-stock investment funds; – assets of closed mutual investment funds; – the total property investment partnerships. – Total share of foreign companies, the total stake owned by one or more organizations that are not SMEs, does not exceed 49% each.
Small enterprise	16 - 100 people	< 800 bln. roubles	
Medium enterprise	101 - 250 people	< 2 bln. roubles	

Source: Resource center of small business, <http://rcsme.ru/ru/statistics>

As of January 1, 2015, according to Rosstat, in the Russian Federation were registered and operated 4.5 million small and medium-sized businesses, which employed more than 18 million people, accounting for 25% of total employment in the economy (Table 3).

The basis of the small and medium enterprises sector are individual entrepreneurs - 2.4 million or 53.3% of all small and medium enterprises and microenterprises - 1.9 million or 41% of all small and medium enterprises. Small businesses account for 5.2% of the total, while the average is 0.3% of the total number of small and medium enterprises. At the same time the micro enterprises and individual entrepreneurs sector employs more than half of all people employed in the SME sector - 55%.

Table 3
Activity of enterprises and individual entrepreneurs, 01.01.2015

	<i>Micro- enterprises</i>	<i>Small business</i>	<i>Medium business</i>	<i>Individual entrepreneurs</i>	<i>All categories of small and medium enterprises</i>
Number of small and medium enterprises, thousand	1 868,2	235,6	13,7	2 413,8	4 531,3
Percentage of small and medium enterprises of the total, %	41,2	5,2	0,3	53,3	100%
Average number of employees, thousand people	4 431,1	6 358,4	1 585,8	5 645,7	18 021*
Income of small and medium enterprises (SME), bln. roubles	9 699,3	16 692,9	5 027,8	10 447,5	41 867,5

Source: Resource center of small business, <http://rcsme.ru/ru/statistics>

The future of the Russian economy is largely dependent on the development of SMEs. The development of the state support of this segment becomes a priority, taking into account the difficult situation in the economy. It creates new SME support institutions [16]. According to the Strategy of development of small and medium-sized enterprises in the Russian Federation for the period till 2030 year [17], in 2015 was established the State Institute for the development of small and medium-sized enterprises in the form of the Joint Stock Company "Federal Corporation for the Development of Small and Medium Enterprises".

At the same time the contribution of small and medium enterprises in general economic indicators in the Russian Federation are significantly lower than in most not only developed but also developing countries. Small and medium enterprises in the Russian Federation are primarily micro enterprises (95.5 percent of the total number of subjects Small and Medium Enterprises). The number of medium-sized enterprises is relatively small [17]. Small and medium enterprises account for only 5-6 percent of the total assets and 6-7 percent of the total investment in the fixed assets in the whole country. Labour productivity in small and medium sized enterprises in the Russian Federation, according to the Ministry of Economic development of Russia is much lower than the level of developed countries (USA, Japan, European Union countries) in 2-3 times. In recent years, the dynamics of the development of small and medium-sized enterprises is negative. The share of small and medium-sized enterprises turnover in the economy as a whole, according to Federal State Statistics Service, progressively decreases. The diminishment of all indicators of small and

medium-sized enterprises only in 2014 compared to 2013 was 1.8 percent from 34.2 percent in 2013 to 32.4 percent in 2014 [17].

Specific measures undertaken by the state policy in social and economic spheres did not fully ensure the interests of small and medium-sized enterprises. Such measures as cancellation of tax privileges for the business property of the payers of the special tax regimes, the introduction of the trade tax and a number of other measures did not bring the planned improvements. One of the priority directions of the state policy in the small and medium-sized enterprises sector at the present stage is the application and development to a new level of the measures and support tools for the small and medium-sized enterprises, which will be implemented within the framework of the Joint Stock Company “Federal Corporation for the Development of Small and Medium Enterprises” ‘s activities. In particular, the Corporation will be provided the decision of the following tasks: providing financial, infrastructural, legal, methodological and other support to small and medium-sized enterprises; attracting Russian and foreign funds

and international organizations in support of small and medium-sized enterprises; organization of system of information, marketing, financial and legal support of investment projects, implemented by small and medium-sized enterprises; organization of activities aimed to increase the share of procurement of goods, works and services of certain kinds of legal entities in small and medium-sized enterprises; provision of in conjunction with specific customers, determined by the Government of the Russian Federation, and bodies of the state power of the subjects of the Russian Federation toward the measures to the development of small and medium-sized enterprises; maintenance of interaction with public authorities of the Russian Federation, local authorities, other bodies and organizations in order to support small and medium-sized enterprises; providing improved support for small and medium-entrepreneurship. At the same time the Corporation will perform as a system integrator of the support measures for small and medium-sized enterprises.

In 2016 the economy of Russia faced a number of problems which influenced the dynamics of its economic indicators. According to the statistical data, the volume of GDP in the third quarter 2016 amounted

Table 4
Main economic indicators of Russia in 2015-2016

<i>Coefficient</i>	<i>Data</i>	<i>Amount</i>	<i>Measure</i>	<i>Difference</i>	<i>Valid on GDP</i>
GDP	31.12.15	60682.1	bln. roubles	-2349	25.01.16
GDP	III quarter 2016	15754.5	bln. roubles	1232.4	13.12.16
Investments in the main capital	December 2015	2460.3	bln. roubles	1013.5	25.01.16
Investments in the main capital	January-September 2016	9116.1	bln. roubles	-	19.12.16
Inflation					
Consumer price index	Ноябрь 2016	100.4	%	0	06.12.16
Production price index	Ноябрь 2016	100.7	%	-	15.12.16
Labour market indicators					
Total number of unemployed	Ноябрь 2016	4.1	bln. people	0.01	19.12.16
Unemployment level	Ноябрь 2016	5.4	%	-	19.12.16

Source: Rosbusinesscounseling, <http://quote.rbc.ru/macro/country/1.shtml>

Table 2
Dynamics of the production in Russia, %

<i>Year</i>	<i>Percent</i>
2005	4.0
2006	4.8
2007	7.4
2008	3.5
2009	-13.1
2010	8.3
2011	5.0
2012	2.6
2013	0.1
2014	0.6
2015	-3.5

Source: CIA World Factbook

15754.5 bln. roubles, the volume of the investments in the main capital in January-September 2016 amounted 9116.1 bln. roubles, consumer price index was 100,4%, production price index was 100,7%, unemployment level was 5,4%, total number of unemployed was 4,1 bln. people (table 4).

The dynamics of the production in Russia from 2010 had a negative trend and diminished from 8,3 percent till -3,5 percent. The dynamics of GDP had a negative trend as well. Such trends need the application of the anti-crisis methods for the economy of Russia. According to the Forecast of socio - economic development of the Russian Federation for 2016 and the planning period of 2017 and 2018, the main priorities of the development of the economy of Russia are the following: increasing the investment attractiveness of the Russian Federation, improving the business climate and creating favorable business environment; balancing the federal budget; preservation of the tax conditions of stability and optimization of tariff regulation; improving the quality of life and investment in human capital; balanced regional development; improving the quality of the functioning of the state institutions authorities; development of the information technology and support of the high-tech sectors of the economy [2].

In the part of the increasing of the investment attractiveness of the Russian Federation, one of the main goals is the improvement of the business climate and creating the favorable business environment in 2016 - 2018. It is important to focus on the implementation of the new business community initiatives, enforcement practices and interaction with the business as a result of the implementation of the “road cards” [19]. The key areas of public health care policy in the period 2016-2018 are: ensuring the adoption of additional measures to improve health; the cost-effectiveness of the health system on the basis of scientific based analysis; development of a cost accounting methodology in health organizations for the medical assistance and payment the cost of the program on the base of the state guarantees for the free medical assistance to the citizens; introduction to the system of clinical guidelines (treatment protocols); acceptance of the “road map” of nuclear medicine centers and Diagnostics [19].

In the implementation of fiscal policy, the focus will be placed on anti-crisis measures. Russian Government measures in the tax area are as follows: exemptions from corporate income tax for new productions; the increase in initial cost of depreciable property for tax purposes; measures to tax incentives for the development of small businesses through special tax regimes; the patent for the self-employed individuals who have not hired workers; increased revenue threshold for the purposes of payment of advanced payments of the corporate income tax; simplifying calculation and decision to deduct the VAT paid as part of advance payment [19].

For 2017 there are many positive forecasts. One of them is the forecast of the economist of Saxo Bank S. Yakobsen: "The sanctions are likely to be removed, not all of them, but at least part of them, already in 2017, that will have a positive impact on the economy. The lifting of sanctions will accelerate Russia's GDP growth by 1 percentage point per year, which will allow him to go to zero". In this he agrees with those same Kudrin [19]. In order to conclude, in 2016 the economy of Russia faces a lot of negative trends, but the most forecasts are positive, the economy has potential for the development and growth, new business opportunities and entrepreneurship as well.

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