

For the First Time Ever Things are Being Done the Right Way



Ilya Ponomarev – Deputy of the State Duma of the Russian Federation, Chairman of Hi-Tech Development Subcommittee.

What are the latest developments in the government policy regarding innovations worldwide?

The way I see it we are witnessing an absolutely obvious venture financing crisis: the investors are moved closer to increasingly later phases. Therefore, raising money for the start-ups is becoming more of a hassle. It's not that much pronounced in IT industry as it is in biotechnological projects and other capital-intensive technologies.

On the other hand, I believe, the innovation process will become more democratic and more people will become involved in it. A great number of the world's regions engage in innovative development today. Many universities participate in it in such countries with established innovation traditions as the United States. Such schools as MIT or Stanford University, where many students engage in innovative research, are the leaders of the innovation process there. In other words, the democratization is underway, but eventually it exacerbates the problem of start-up capital.

What is the investment crisis due to? Is it related to the global financial crisis or are there any other reasons for it?

The global financial crisis gave it a spur, but this is also an objective process due to low investment payback of the venture funds over the past few years. There's a lot of scum

on this market generated by the bubbles formed during 2000's. The market is flooded by insufficiently qualified managing companies, which reduced profitability of the venture business. Lower returns caused investors come up with higher requirements toward managing companies and they retaliated by switching financing to less risky projects, including projects at more mature phases. When investors ran out of money due to financial crisis then, accordingly, the investment risk assessment guidelines tightened even more.

At the turn of the century we had an Internet technology crisis, and we saw it again during 2007 – 2008. It was secondary in comparison with the real estate market boom, but it was there.

How is the innovation policy different in Russia?

It's different, because there's no such thing as innovation policy in Russia. Russia hasn't made up its mind yet. They are making an attempt to flood the market with money, but I think it will only cause destruction. Lack of money is not Russia's main problem. Yes, we do have insufficient funding of research, but we do not run short of funds for innovation. We have a problem with lack of good ways to invest money. We should work with innovators and help them see projects to a phase when they are ready for investment. We need investors who would be fully aware of what venture financing is all about. So far, we don't have any. Personally, I think that the amount of funds invested in development of innovations is excessive. The issue is about how to spend them?

Are you aware of the latest government initiatives regarding tax regulations of innovation activities?

The Skolkovo Project is based on a territorial principle, which allows solving tax issues of most Russian hi-tech companies at the expense of their accreditation with Skolkovo regardless of their location. In addition to that, there is an initiative by Fedorov in pursuance of the presidential instruction to introduce a special taxation regime for innovation companies. The Finance Ministry took a while to consider it, but things have made good progress since then. Overall, the Skolkovo initiative addressed this issue to a great extent.

With regard to this initiative, when will this law be adopted?

Approximately, on the first of January. Today, September 23, the law will go through its third reading, and will become enacted on January 1.

What do you think about Skolkovo Project?

I am an active participant in this project, so my thoughts are quite positive. I think that for the first time ever things are being done the right way. Certainly, there are shortcomings. But overall things are done well. I have rather great expectations for it.

Which areas in Russia are most promising for development in your view?

Speaking of Russia, I would bet on energy sources in the widest sense of the term. I'm referring to conventional power engineering industry, oil and gas industry and all possible things going in geophysics, geology, mineralogy, as well as alternate sources of energy and energy saving, and thermonuclear power engineering. Russia has an established market for all these areas as opposed to other ones. There is technological know-how in place. This is one of the most talked-about topics in the world. Therefore, foreign investment can be drawn without much effort. However, Russia is trying to use energy resources as a geopolitical weapon rather than

kickoff impulse. From my standpoint, Russia's main task is to nurture the start-ups with global perspective and use them for increasing the volume of Russia's domestic orders.

How can the number of start-ups be increased?

People are the biggest issue. The goal is to develop the human capacity. We need to set up various on-site training arrangements, work with the Russian diaspora, develop education and invest in training people.

What is your impression of the Global Policy Forum at Yaroslavl?

The Global Policy Forum held in Yaroslavl addressed two main

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focus on innovations. We cannot forget about our math schools, either. We have great numbers of quality programmers. This area has already been developed quite well, and it will continue developing.

However, I think that the problem is not about technology. Demand will be for things that'll be in demand. The question is about what's driving the innovation development. Is it large companies or small ones? Is it major companies or the government? Is it domestic or foreign demand? Is it investment funds or government orders? I am deeply convinced that domestic demand in Russia on behalf of industrial enterprises is not sufficient. There are objective reasons for that. This cannot be dealt with overnight. This is typical of all countries, which engaged in innovative activities at all times. Government orders rather than big business would provide the

issues: innovations, and politics, and democracy. I have an ambiguous feeling. I think that the innovation part was very successful, whereas the results of political discussions are quite uncertain to me.

What ideas regarding innovations did you find particularly important and interesting?

I can't say that I heard anything novel. It's a rare occasion when you hear revolutionary ideas during the forums. Rather, we need forums to get us on the same page. I was really happy when I saw that positions got closer during the discussions. From all sides, people were saying the same things, including people who adhere to different economic ideologies. This is very important.

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Russian Venture Company (OJSC) became an official partner of the annual MassChallenge Global Startup Competition, taking place in Boston (USA) from April to October 2010.

The aim of the competition is to accelerate the development and success of high-growth, high-impact new businesses, while stimulating job creation and economic growth around the world. The awards, totaling \$1 million will be distributed between the winners after the final stage on October 15 in Boston. The key goal of the Russian Venture Company during MassChallenge is to form a steady positive attitude towards Russian innovative-technology companies on the global market.

"Our official partnership with MassChallenge is of key importance as such initiatives have great social value" – comments Igor Agamirzyan, CEO of the Russian Venture Company, - For RVC, as a development institution, social activity aimed at creating and developing a class of successful technological entrepreneurs in the sphere of innovation is a direct responsibility.

"Massachusetts is excited to be working in collaboration with international partners to increase opportunities here in the Commonwealth," said Greg Bialecki, the Massachusetts Secretary of Housing and Economic Development. "The MassChallenge competition is a great place to be strengthening these relationships and we are excited to be working on this initiative with partners like the Russian Venture Company to support entrepreneurship and job growth here in Massachusetts."

A total of 446 startups entered the MassChallenge competition, with a diverse set of ideas from across the world. The competition is currently conducting activities across Massachusetts where innovation resources are most concentrated. MassChallenge is now in its accelerator phase with 110 finalist teams working from luxury office space on Boston's waterfront to maximize networking and mentorship opportunities.

Awards totaling \$1 million will be allocated to the winning teams at the end of October 2010. MassChallenge will continue to raise additional funds throughout the competition, and in mid-October, an expert panel will identify a dozen or more teams as winners. The Commonwealth has already pledged over \$500,000 to MassChallenge via the collaboration of various quasi-governmental organizations dedicated to bolstering entrepreneurship and innovation. Additional funding and support have been secured from multiple sources including Microsoft, the Blackstone Charitable Foundation, the Deshpande Foundation, Mass Tech Collaborative, The Fallon Company and the Winvest Group.

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