Overview and Brief Analysis of Financing of Innovative Activities and Research in Russia

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Abstract - The beginning of the third millennium has obviously confirmed the fact that permanent innovation activities have become a basis of modern economic progress in the developed countries. The competition for new ideas and their fastest implementation will continue to increase around the world. Under these circumstances, institutional and financial provision of new knowledge production and utilization has crucial importance as a key factor of national competitiveness.

According to the facts of Federal State Statistic Service in the beginning of 2007 the tendency of increase of industrial output has remained in the Russian Federation. The index of growth amount to 108.7% percentage to the corresponding period of the last year.

Nevertheless nowadays condition of innovation activity and investment climate is far from ideal. Today the portion of Russia is not more than 0.3% percentage on the world market of scientific production. The increase of production volume due to creation of new types of products conflicts with serious barriers, which are principal unchangeable for the last 7 years. According to the results of monitoring made by the Laboratory of market study of the Institute of Economics of the Period of Transition intentions to develop and to produce innovative production have now only 72% percentage of enterprises from the number of interviewed. Plans on creation of new production strongly differ according to the sector of the national economy (Table 1).

The report is devoted to the problems of financing innovative activities and research in Russia.

Key Words -Economics, Engineering, Innovations, Finance.

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The nearest 2 years innovative products most probable may be created in mechanical engineering (such intentions have been declared by 87% percentage of enterprises) and ferrous metallurgy (81%). The second echelon consists of chemistry and petrochemistry (68%), light (67%) and food (62%) branches of industry. The most modest plans demonstrate building industry (45%), non-ferrous metallurgy (43%) and timber industry complex (43%) with the exception of furniture manufacture (in it this figure is 76%).

Enterprises consider the basic barriers of innovative production creation as the following:

• heavy costs for the beginning of manufacture of new production;
• high transport costs;
• impossibility of fast achievement of scales of manufacture and selling, providing profitability;
• competitive advantages of possessors of unique sources of raw material, energy, technologies, patents and licenses (Table 2).

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TABLE 1

FIGURES OF READINESS OF ENTERPRISES IN DIFFERENT BRANCHES OF INDUSTRY TO ASSIMILATION OF INNOVATION PRODUCTS (IN % TO NUMBER OF INTERVIEWED)

<table>
<thead>
<tr>
<th>Points</th>
<th>Branches of Industry</th>
<th>Number of Enterprises</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mechanical Engineering</td>
<td>87</td>
</tr>
<tr>
<td>2</td>
<td>Ferrous Metallurgy</td>
<td>81</td>
</tr>
<tr>
<td>3</td>
<td>Chemistry and Petrochemistry</td>
<td>68</td>
</tr>
<tr>
<td>4</td>
<td>Light Industry</td>
<td>67</td>
</tr>
<tr>
<td>5</td>
<td>Food Industry</td>
<td>62</td>
</tr>
<tr>
<td>6</td>
<td>Building Industry</td>
<td>45</td>
</tr>
<tr>
<td>7</td>
<td>Non-ferrous Metallurgy</td>
<td>43</td>
</tr>
<tr>
<td>8</td>
<td>Timber Industry Complex (without)</td>
<td>43</td>
</tr>
<tr>
<td>9</td>
<td>Furniture Manufacture</td>
<td>76</td>
</tr>
</tbody>
</table>

The beginning of the third millennium has obviously confirmed the fact that permanent innovation activities have become a basis of modern economic progress in the developed countries. The competition for new ideas and their fastest implementation will continue to increase around the world. Under these circumstances, institutional and financial provision of new knowledge production and utilization has crucial importance as a key factor of national competitiveness.

According to the facts of Federal State Statistic Service in the beginning of 2007 the tendency of increase of industrial output has remained in the Russian Federation.
The combination of these reasons with the expensiveness of investment resources, the low investment activity of the majority of enterprises and there aspiration to use credits for enlarge of circulating assets, (today only 38 % of manufacturers involve them for modernization of manufacture) speaks about presence of serious obstacles to an innovative way of development of the Russian industry. The barriers also include decreasing volume of state financing of innovative activity, shortage of own investment means of enterprises and absence of managers’ strategic thinking.

It is evident that the success of innovative activity strictly depends on the ways of financial support. Figuratively speaking, financing provision is a circulatory system of the innovation infrastructure of the country.

Today the main sources of the direct financing of innovative activity in Russia are budgetary and off-budgetary funds. Budgetary funds consist of:

- Funds of the Federal Budget
- Funds of Budgets of the Subjects (Provinces) of RF
- Funds of the Local Budgets (Budget Funds of Municipal Units)

Off-budgetary funds are the following:

- Own Funds of Enterprises
- Funds of Investors or Obtained Funds
- Borrowed Funds
- Funds of International Programs and Grants

The scheme of the direct financing of innovative activity in general at the expense of federal budget is presented at the Table 3.

The objects of the direct financing may be divided into 3 main groups. The 1st one, includes state scientific-technical and federal innovative programs, and also international programs and projects of interstate level (for example, construction and use of international space station). Financing as a rule is done on the competitive base after which the federal authorities conclude a government contract with the winner.

As an example, in the Table 4 there are some characteristics of the Federal Target Program “Research-and-development activities of Priority Directions of Development of Scientific and Technological Complex of Russia on 2007-2012” [3]. The total budget of the program is about two hundred billions rubles and almost 70% percentages of them from Federal Budget.

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The most important target indicators of the Program and its expected macroeconomic figures of economic effectiveness of realization of the Program are presented in the Tables 5-7.

### TABLE IV
**Federal Target Program “Research – and -Development Activities of Priority Directions of Development of Scientific and Technological Complex of Russia on 2007-2012”**

<table>
<thead>
<tr>
<th>State Customer and Coordinator of the Program</th>
<th>Ministry of Education and Science of the Russian Federation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Period and Stages of the Program Realization</td>
<td>2007-2012 Including</td>
</tr>
<tr>
<td></td>
<td>The 1st Stage – 2007-2009</td>
</tr>
<tr>
<td></td>
<td>The 2nd Stage – 2010-2012</td>
</tr>
</tbody>
</table>

- Supplementary of New and Improved High-Technological Production in the Volume of 142-150 bln.rubles at the Cost of Commercialization of Created Progressive Technologies;
- Supplementary Export of High-Technological Production in the Volume of 39-44 bln.rubles;
- Attraction Off-budgetary Funds in the Volume of 59-62 bln.rubles;
- Supplementary Increase of Internal Expenditures of Research and Elaborations Including Off-budgetary Funds in the Volume of 169-172 bln.rubles;
- Elaboration of 127-136 Competitive Technologies assigned for Commercialization;
- Manufacturing Application of 8-10 Progressive Commercial Technologies;
- Introduction of 5-8 Critical Technologies, with the Russian Federation World Priority;
- Creation of 6-12 New Organizations, Equipped by the World Level Instrument Scientific Basis

### TABLE V
**The Most Important Target Indicators and Figures of the Federal Target Program “Research – and -Development Activities of Priority Directions of Development of Scientific and Technological Complex of Russia on 2007-2012”**

<table>
<thead>
<tr>
<th>Figures</th>
<th>Unit</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of Gross Domestic Product at the Expense of Realization of the Action of the Program</td>
<td>Pct</td>
<td>0.023</td>
<td>0.021</td>
<td>0.012</td>
<td>0.018</td>
<td>0.018</td>
<td>0.018</td>
</tr>
<tr>
<td>Portion of External Expenditure on Research and Development in the Gross Domestic Product</td>
<td>Percent</td>
<td>1.59</td>
<td>1.63</td>
<td>1.66</td>
<td>1.7</td>
<td>1.74</td>
<td>1.79</td>
</tr>
<tr>
<td>Growth of Portion of External Expenditures on Research and Development in the Gross Domestic Product</td>
<td>Pct</td>
<td>0.05</td>
<td>0.06</td>
<td>0.06</td>
<td>0.07</td>
<td>0.08</td>
<td>0.09</td>
</tr>
<tr>
<td>Portion of Non-budget Funds in External Expenditures on Research Development</td>
<td>Percent</td>
<td>45,5</td>
<td>45,8</td>
<td>46,2</td>
<td>46,5</td>
<td>46,9</td>
<td>47,3</td>
</tr>
<tr>
<td>Growth of Portion of Non-budget Funds in External Expenditures on Research Development</td>
<td>pct</td>
<td>0.7</td>
<td>0.8</td>
<td>1</td>
<td>1.1</td>
<td>1.2</td>
<td>1.3</td>
</tr>
<tr>
<td>Portion of High Technological Production in the Total Volume of Export</td>
<td>Percent</td>
<td>5.25</td>
<td>5.98</td>
<td>6.83</td>
<td>7.8</td>
<td>8.91</td>
<td>10.18</td>
</tr>
<tr>
<td>Growth of Portion of High Technological Production in the Total Volume of Export</td>
<td>pct</td>
<td>0.03</td>
<td>0.06</td>
<td>0.08</td>
<td>0.11</td>
<td>0.14</td>
<td>0.18</td>
</tr>
<tr>
<td>Portion of Russian High Technological Production in the World Market of High Technological Production</td>
<td>Percent</td>
<td>0.363</td>
<td>0.369</td>
<td>0.392</td>
<td>0.424</td>
<td>0.458</td>
<td>0.494</td>
</tr>
<tr>
<td>Growth of Portion of Russian High Technological Production in the World Market</td>
<td>pct</td>
<td>0.002</td>
<td>0.004</td>
<td>0.004</td>
<td>0.006</td>
<td>0.007</td>
<td>0.009</td>
</tr>
</tbody>
</table>
During the Program period it is planned to create new work places for about 41 thousands high-qualified employees and for about 23,5 thousands young researchers. At the cost of realization of the Program it is expected an annual increase of Gross Domestic Product at the rate of 0,018-0,023 percent points, portion of internal expenditures on research and development in Gross Domestic Product at the rate of 0,05-0,09 percent points, portion of non-budget funds in internal expenditure on research and development at the rate of 0,7-1,3 percent points.

As the result of the Program fulfillment it is planned the formation of the fundamental basis for qualitative change of the Russian economic structure and its transition to the model of steady innovative development and for consolidation of state and private resources for creation of effective national innovative system.

The 2nd group consists of non-profit state Target Budget Foundations, such as, Russian Foundation of Basic Research (RFBR), Russian Foundation of Humanitarian (RFH), Foundation for Assistance to Small Innovative Enterprises (FASIE), Federal Foundation of Production Innovations (FFPI). The assets distribute on the competitive base and join to the winners in the form of grants from RFBR and RFH, and in the form of target recourses from FASIE.

The means of Russian Foundation of Basic Research (RFBR) are formed at the expense:
- the state assignments making up to 6 % from means, selected on civil science in the Federal Budget of the Russian Federation;
- optional contribution of enterprises, establishments, organizations and citizens, including foreign legal entities and natural persons.

The facts on financing of the Russian Foundation of Basic Research at the cost of the state budget since 1993 are presented on the Figure 1.

Foundation means are used:
- a) financing of research projects and other actions selected at competitions, organized by Foundation;
- b) acquisition and distribution of the scientific information with a view of support basic research;
- а) maintenance of the staff, development of resource and information base of Foundation, realization of expert examinations.

**TABLE VII**

**MICROECONOMIC FIGURES OF ECONOMIC EFFECTIVENESS OF REALIZATION OF THE FEDERAL TARGET PROGRAM "RESEARCH – AND - DEVELOPMENT ACTIVITIES OF PRIORITY DIRECTIONS OF DEVELOPMENT OF SCIENTIFIC AND TECHNOLOGICAL COMPLEX OF RUSSIA ON 2007-2012"**

<table>
<thead>
<tr>
<th>Figures</th>
<th>Unit</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Portion of Innovative-Active Enterprises in the general Number of Enterprises of Industry</td>
<td>Percent</td>
<td>13,6</td>
<td>14,8</td>
<td>15,4</td>
<td>16,2</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>Growth of Portion of Innovative-Active Enterprises in the general Number of Enterprises of Industry</td>
<td>pct</td>
<td>1,1</td>
<td>1,8</td>
<td>1,9</td>
<td>2,2</td>
<td>2,8</td>
<td>3,6</td>
</tr>
<tr>
<td>Portion of High Technological Production in the Volume of Manufacturing Production</td>
<td>Percent</td>
<td>8,8</td>
<td>9,23</td>
<td>9,67</td>
<td>10,14</td>
<td>10,62</td>
<td>11,12</td>
</tr>
<tr>
<td>Growth of Portion of High Technological Production in the Volume of Manufacturing Production</td>
<td>pct</td>
<td>0,04</td>
<td>0,06</td>
<td>0,08</td>
<td>0,09</td>
<td>0,11</td>
<td>0,12</td>
</tr>
<tr>
<td>Average Age of Machines and Equipment of an Organization of Scientific Sphere Participating in Realization of the Program</td>
<td>Years</td>
<td>19,6</td>
<td>19,2</td>
<td>18,7</td>
<td>18,2</td>
<td>17,6</td>
<td>16,8</td>
</tr>
<tr>
<td>Change of Average Age of Machines and Equipment of an Organization of Scientific Sphere Participating in Realization of the Program</td>
<td>Years</td>
<td>-0,4</td>
<td>-0,9</td>
<td>-1,4</td>
<td>-2</td>
<td>-2,8</td>
<td>-3,7</td>
</tr>
</tbody>
</table>

During the Program period it is planned to create new work places for about 41 thousands high-qualified employees and for about 23,5 thousands young researchers. At the cost of realization of the Program it is expected an annual increase of Gross Domestic Product at the rate of 0,018-0,023 percent points, portion of internal expenditures on research and development in Gross Domestic Product at the rate of 0,05-0,09 percent points, portion of non-budget funds in internal expenditure on research and development at the rate of 0,7-1,3 percent points.

As the result of the Program fulfillment it is planned the formation of the fundamental basis for qualitative change of
The Main Objectives of Foundation are financing and construction, reconstruction and modernization of science intensive production, as well as creation of unique research and experimental facilities. As a rule the projects are in civil engineering, in reconstruction and technical re-equipment of industrial enterprises with 1-2 years period of recoupment of capital investment and with high risk financing.

Foundation for Assistance to Small Innovative Enterprises is created by the budgetary assignment at the rate of 1.5% from the funds stipulated annually in the federal budget on financing of civil science and at the expense of arrivals from foundation activities in the form of repayable means, which had been acted under the contracts. Foundation supports in grant on a repayable and irretrievable base, can act as a depositor or guarantor under obligations of small firms and as a co-founder in creation of new small innovative firm (up to 25%). Recipient of foundation assistance has to answer the following requirements:

- presence of intellectual property at a firm;
- substantiation of availability of the solvent market;
- presence of organizational opportunities on realization of the project.

The part of foundation means in realization of the project should not be more than 50% of full needed amount and not more than 2 million rubles.

The members of the 3rd group are federal state-supported scientific and scientific-technological establishments and unitary enterprises such as scientific - research institutes, scientific-industrial enterprises of Russian and other state Academies of Science, Higher Education Establishments with the developed scientific and innovative basis, unique objects of development and experimental research. Financing is realizing through the federal government authorities according to the approved budgetary estimates of incomes and expenditures, which are including means for covering expanses directed to realization of scientific and innovative activities.

Forms and resources of non-budgetary financing, as well as a structure and methods of obtaining off-budget funds are defined by the subjects of innovative activity independently. The most commonly used resources of non-budgetary financing of innovative projects are own funds of enterprises, obtained (funds of investors) and borrowed funds.

The most important internal resources of financing of innovative activity of organizations are Reserve for Depreciation and Development Fund for Manufacture. The first one is formed at the cost of transfer the value of capital assets in parts to the manufacturing production. At that a capital assets depreciates as a result of material and moral deterioration. The cost of this deterioration in the form of capital allowances is accumulated in a depreciation fund. Very often Reserve for Depreciation is the main basic internal resource of the enterprises for purchasing the new equipment, techniques and technology, which are vitally necessary for realization of innovative activities.

Sometimes for improvement of an innovative climate in the country it is developed and used schemes of the accelerated amortization for selected branches of industry and spheres. It allows to the enterprises to cut the period of
formation of Reserve for Depreciation, and, as consequence, to renovate and modernize the capital assets more quickly, what, as a rule, vitally important for success of innovative processes.

Development Fund for Manufacture, as other funds of special destination, is formed at the expense of profit remaining at the disposal of the enterprise. The order of formation of this fund, rates of assignment is independently established by the enterprise. The purposes and directions of using means of Development Fund for Manufacture are defined by an innovative politics of the organization, it package of innovative projects and carried out innovative activity. In many organizations realization of research and development, purchase of the new equipment and devices, financing of expenses on modernization and reconstruction of existing manufacture, and construction of new objects is carried out at the expense of Development Fund for Manufacture.

Financing of innovative activity at the expense of funds of investors is realized in the form of:
- investments into securities, as shares, bonds, circulating notes, emitted by subjects of innovative activity;
- direct investments in the monetary form, in the form of securities, a fixed capital, industrial and intellectual property and the rights to it, which are carried out on the basis of the conclusion of partner agreements on joint conducting of innovative activity;
- by use of Financial Leasing and other different ways of obtaining investments.

All the questions arising in occasion of obtaining debt funds are solved directly by the parties concluding the contract, for example, by the enterprise-borrower and bank. At the decision of a question on delivery of the innovative credit the investor analyzes opportunities of realization of innovative production in the market, expected growth of incomes of the innovative enterprise and other important characteristics, and in case of long-term credits are also appreciated prospects of an economic situation of the innovative enterprise in whole.

It is should be noted that last years availability of credits to the Russian industry is growing on. According to the facts of the Institute of Economics of the Period of Transition in the 1st quarter of 2007 normal access to borrowed funds have already had 76% of the enterprises. It is a record of 2000–2007 period of time. In the fuel and energy complex 100% percent of enterprises have a free access to the credits, in power industry-86%, and in metallurgy and mechanical engineering-79% percents of enterprises.

A special place between the non-budgetary financial sources takes up the venture financing. Foreign venture capital appeared in Russia at the beginning of 90-ties. European Bank for Reconstruction and Development organized 11 regional venture funds. Later it is appeared funds used means of other foreign institutional and private investors. In year 2002 in Russia there were about 30 funds (in general with foreign capital), which realized venture investments. For the last years it was invested about 1,5 bln EURO, but according to the expert estimates of Institute of Financial Investigations, the volume of venture investments in the high-technological sector of Russian economy is much less and is not more than 5% from total volume of direct investments.

The process of formation of domestic infrastructure of venture investment support started in 1997, when Russian Association of Venture Investment (RAVI) was found. On initiative of Russian Association of Venture Investment and with support of state Foundation for Assistance to Small Innovative Enterprises in 2000 Venture Innovation Fund (VIF) was organized. Its means were intended for investments in share for established regional and branch venture funds with the purpose to invest Russian high-technological enterprises.

The main objectives of VIF are following. At first, realization of the complex of actions on development of the direct investment system into the joint-stock capital (venture investment) in Russia, including organization of venture investment institutions with Russian and foreign capital, investing their funds into technological innovative business. And second one is realization of priority support of Russian innovative enterprises, manufacturing products and technologies belonging to a list of critical technologies of the federal level, by means of participation in financing such projects on their initial stage.

The main sources of the formation of VIF property are following:
- target fee of the Ministry of Science and Technology of the Russian Federation and the Russian Fund of Technological Development;
- target fee of Foundation for Assistance to Small Innovative Enterprises at the expense of means getting on repayable basis;
- voluntary property fees of domestic investors (funds, banks and so on).

Moreover Venture Innovation Fund may get target appropriations from the federal, regional and local budgets for solution of problems connected with the needs of the Russian Federation and regions, and also target means of domestic and foreign partners and investors bringing in for fulfillment objectives and tasks of Fund.

According to the terms of the competition the volume of means, which are under the supervision of regional or branch venture funds, has not to be less than 3 mln dollars in the ruble equivalent. Preference will get to the funds with the participation of only Russian capital or with its larger volume of capitalization.

As priority directions are chosen the following:
- The industry of nanotechnology and nano-materials;
- Perspective technologies in computer science;
- Technologies of alive systems;
- Rational nature management;
- Perspective and renewable power engineering.

According to the facts of Russian Association of Venture Investment (RAVI) in 2006 total volume of direct and venture investment of all funds, functioning in the country, reached 5 bln dollars.

But only a small part of this money (247, 22 mln $) is going to support of the real venture projects. The largest
sector bringing in means from venture funds is IT – 36% from total volume of innovative means or 89 mln $. The second place is a consumer market - 21%. Unfortunately for investors is more attractive successful companies on the stage of enlargement, in other words non-venture investments.

Really up to 2002 venture industry in the Russian Federation was on the situation of illegitimate child, or rather, illegal introduced from outside phenomenon, because of the absence of legal base. Only recently a real breakthrough was done in the sphere of state recognition and embedding of venture industry into the system of investment relations of Russian economy.

Russian Venture Company (RVC) was founded under the Russian Federation government regulation №561 from the 24th of August of 2006 with the purpose of stimulation the creation in Russia it’s own industry of venture investment, development of innovation fields of economics and advancement to international market the science intensive technological products. Two functions are placed on this company: selection of the best venture managing companies on the competition based and acquisition shares of the venture fund, created by these companies.

The first competitive selection of legal entities for passing them to their asset management the funds of the Russian Venture Company was announced on the 1st of March in 2007 with the purpose of inclusion these means into a share part of closed joint-stock investment funds of particularly risk (venture) investments for acquisition of the securities of innovation companies. The receiving of applications was going off from March 26 to April 16 of 2007.

Every winner of competition has to bring in private investments in the formed venture fund in the volume of 51% from its total sum. Other 49% of total volume of declared venture fund he will get from the means of Russian Venture Company.

The maximum total amount of the acquisition of investment share parts of venture funds is 4,8 bln. rubles in the context of the first competitive selection. The rate of investments into separate venture fund in exchange for 49% of a total number of investment shares will be from 600 million to 1,5 bln. Rubles.

It is planning that the first venture funds, which were founded with the assistance of Russian Venture Company, will be able to organize their own investment activity to the end of this summer or the beginning of autumn 2007. During this year the whole number of new funds, which will be organized with the assistance of RVC, will come approximately to 8-12 with the joint stock around of 30 bln. Rubles, including the sum of state support in the rate of 15 bln. rubles. These funds will provide 200 new innovative companies and will be an indirect catalyst of 1000 companies.

On the 11th of May the Board of Directors of Russian Venture Company will sum up the 1st competition and on the 14th of May will declare its winners.

In January 2007 Venture Innovation Fund (VIF), mentioned above non-profit organization having state support, was announced a competition on formation of a net of regional venture investment funds which should directly realized investments into technological-oriented innovative projects.

The results of the competition will be summed up in the middle of May.

Recently it is started the formation of a net of venture funds of the Russian Federation Provinces at the support of the Government of the Russian Federation. As an example I’d like to tell you about Fund for Assistance of Development of Small Enterprises in the Scientific-Technical Sphere of Saratov Province. Fund already received from the regional and federal budget 140,0 mln. rubles.

It is expected that this venture fund will help to develop enterprises of high-technological spheres such as bio- and nanotechnologies, renewable energy sources and others. In so developed region as Saratov Province there are all necessary conditions for appearance of such enterprises, quite skilled personnel and enough production capabilities. Evidently that re-orientation of small business from trade to a real sector of production is in the interest of any regional economies.

At the end of April the competition on choice of Management Company of the Fund will be finished. It will have a sum no less than 280mln. rubles. The participants of the competition have to meet the following demands: a company has to work on the market of venture projects no less than 2 years, have to have stainless reputation, own capital no less than 30mln. rubles and managed fund above 300mln. rubles. And the last requirement is that the company will allocate to the regional fund no less than 140mln. rubles.

In conclusion of my speech I’d like to note that in spite of the positive tendency of the development of the financing system of innovations, typical for the last time, applied remedies for successful formation of effective national innovative system is evidently insufficient.

Today it is practically absence into the financial-economic system of the country key factors of economic, fiscal and tariff stimulation of reconstruction and development of high-technological productions, there are no effective institutions of financial support of introduction of new perspective elaborations into manufacture. Financial sector and entrepreneur environment are not ready psychologically to formation and realization of long-term projects in the sphere of innovative economics. Actually there is no a legal basis in the part of regulation of relations on use of intellectual property, which is necessary for formation of mechanisms of private-state partnership in the innovative sphere.

But as is customary in our country, we shall not speak about sad. It is evident that Russia, which has such population and spreads a huge territory can’t survive without developed national industry. And that is clear for everybody on the different levels of social consciousness and state management. Therefore I’m sure that very soon in our country it will be organized political, economic and administrative conditions in order to convert a huge innovative, investment and scientific potential of Russia into the technological renovation of domestic industry. But the question is WHEN?