



Innovation Policy of the Russian Federation: Priority Tasks and Crucial Tradeoffs

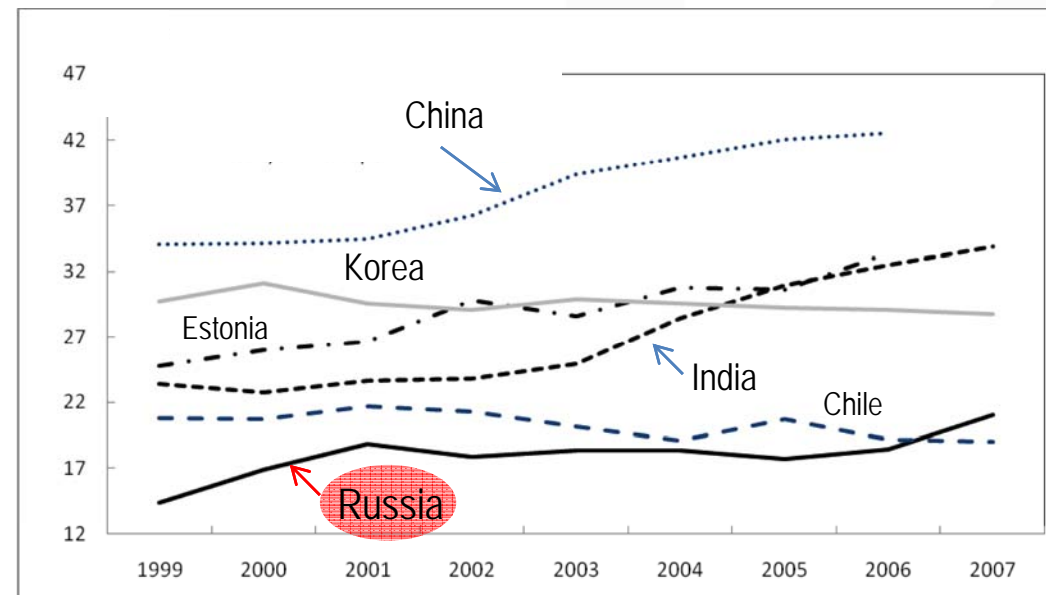
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The innovation imperative

- During the last decade Russia has gradually exhausted the possibilities of a relatively easy fast “recovery growth”, drawing on existing under-employed stocks of capital and labour, but keeping a low rate of investment and innovation
- Russian growth performance has consequently become more dependent on transitory factors, especially terms-of-trade gains reflecting world prices of oil & gas

Gross fixed capital formation



- The crisis and its aftermath have highlighted the extent to which Russia remains dependent on its hydrocarbons sector and the ensuing recovery has not diminished the challenge this poses
- To achieve sustainable growth in the longer term, Russia needs to boost productivity growth. This is a strategic imperative that requires a radical improvement in capabilities to exploit the huge innovation potential of the country

An ambitious innovation strategy is in order, but ...

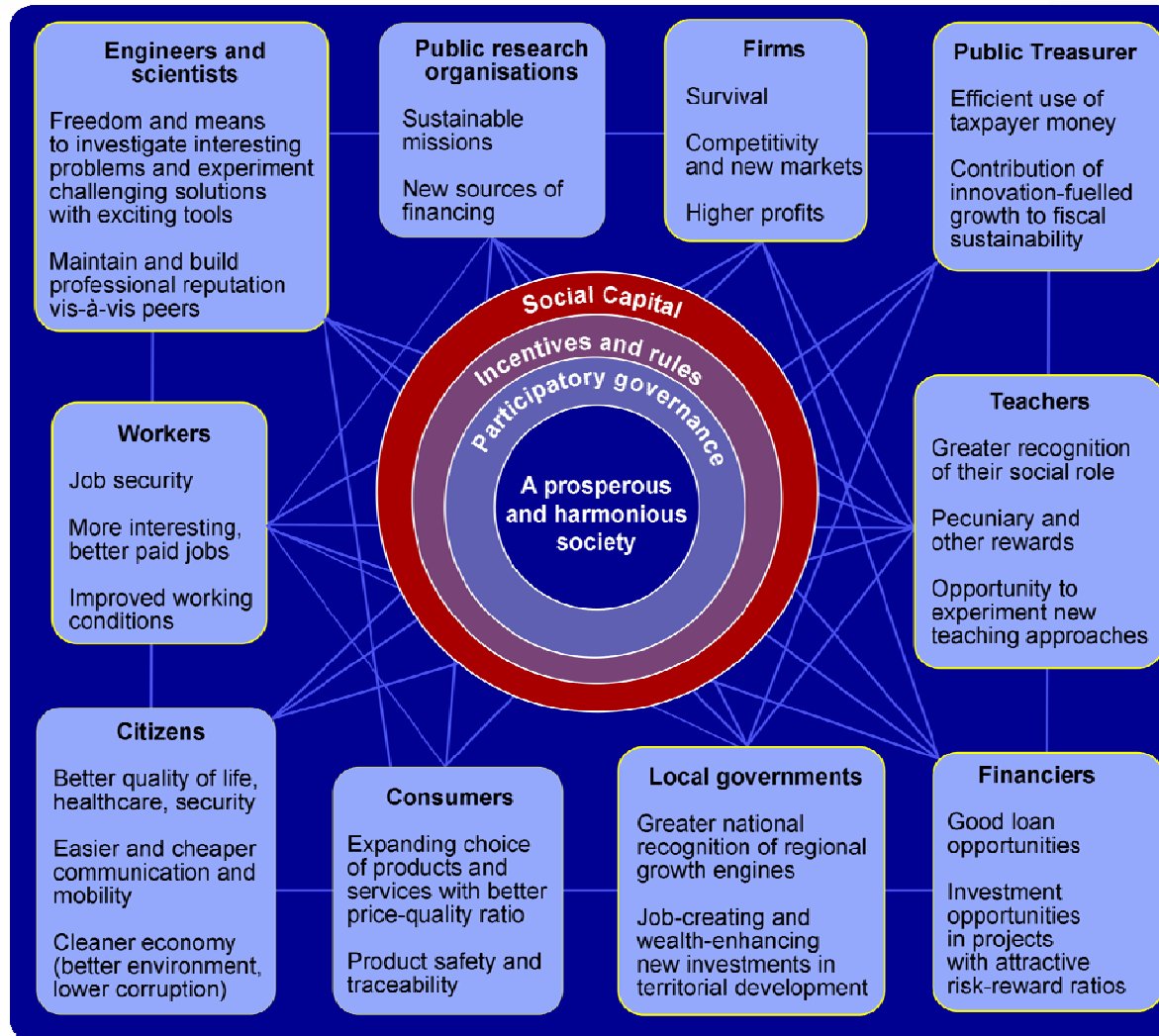
Should not be

- An ill-defined “silver bullet” for solving all problems, or a simple ‘catchword’ in rhetorical politics
- The cover for “beggar thy neighbour”, outdated industrial policies, inspired by “techno-nationalism”
- An indiscriminate forced rush towards any form of “novelty”
- An invitation to a “free lunch” (free riding on world knowledge) or to a “private party” among beneficiaries of public financing
- A nano-bio-ICT “High-Tech myopia”

Should be

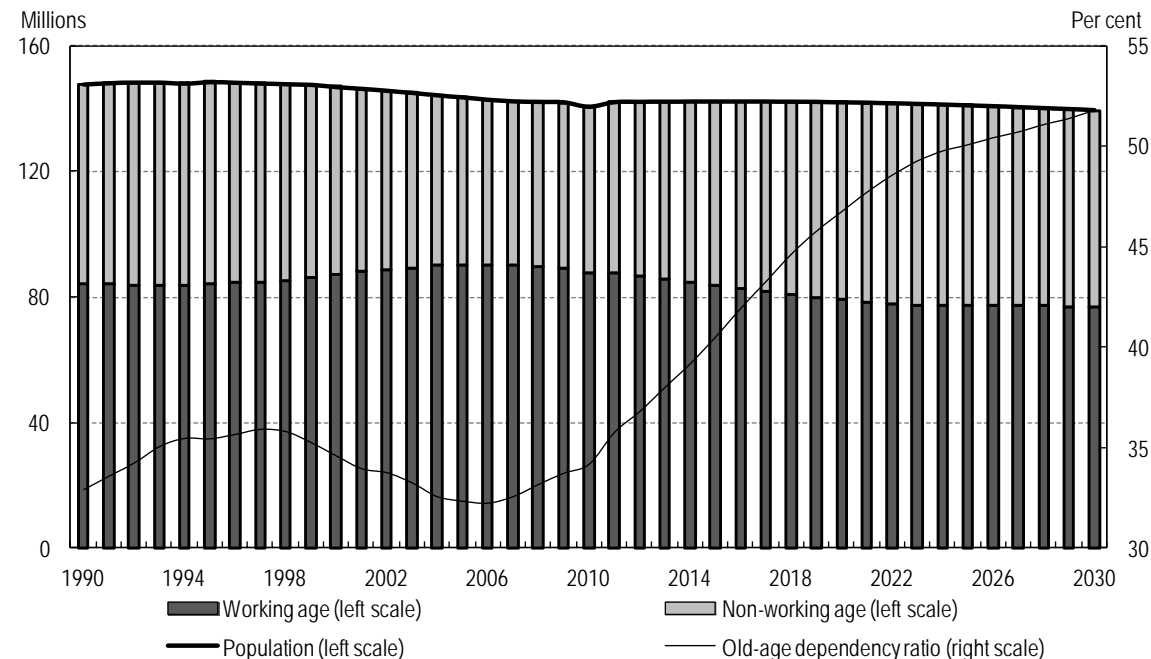
- A mobilising vision and the ambition to achieve it through the effective coordination of many policies
- An effort to consolidate existing and build new comparative advantages in an open environment
- An effort to channel creativity towards socially useful purposes by reconciling diverse stakeholders’ expectations
- A long term investment strategy, by both the public and private sector
- An inclusive approach, promoting value-creating change throughout the economy and society

Reconciling rather changing stakeholders' expectations vis-à-vis innovation



Constraining factors

- Fiscal sustainability: more contribution of innovation policy to sustainable growth is expected, but through more cost-effective instruments, in the context of a shrinking budget as % of GDP
- Demography

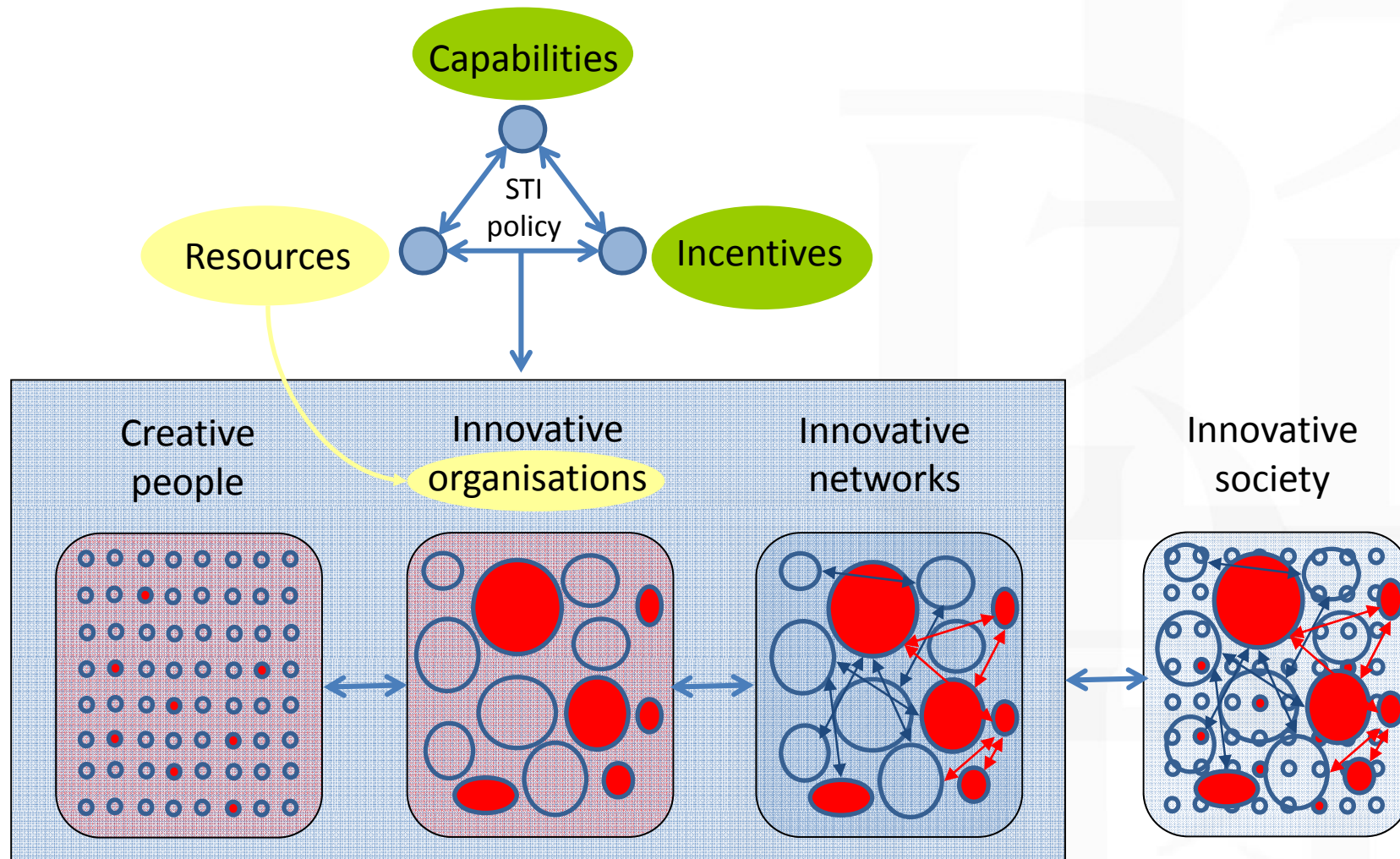


- Fast changing global innovation landscape. Russia shall act quickly before some roads toward innovation-based development become over-crowded, given that innovation capabilities of some emerging countries may grow faster than corresponding market opportunities

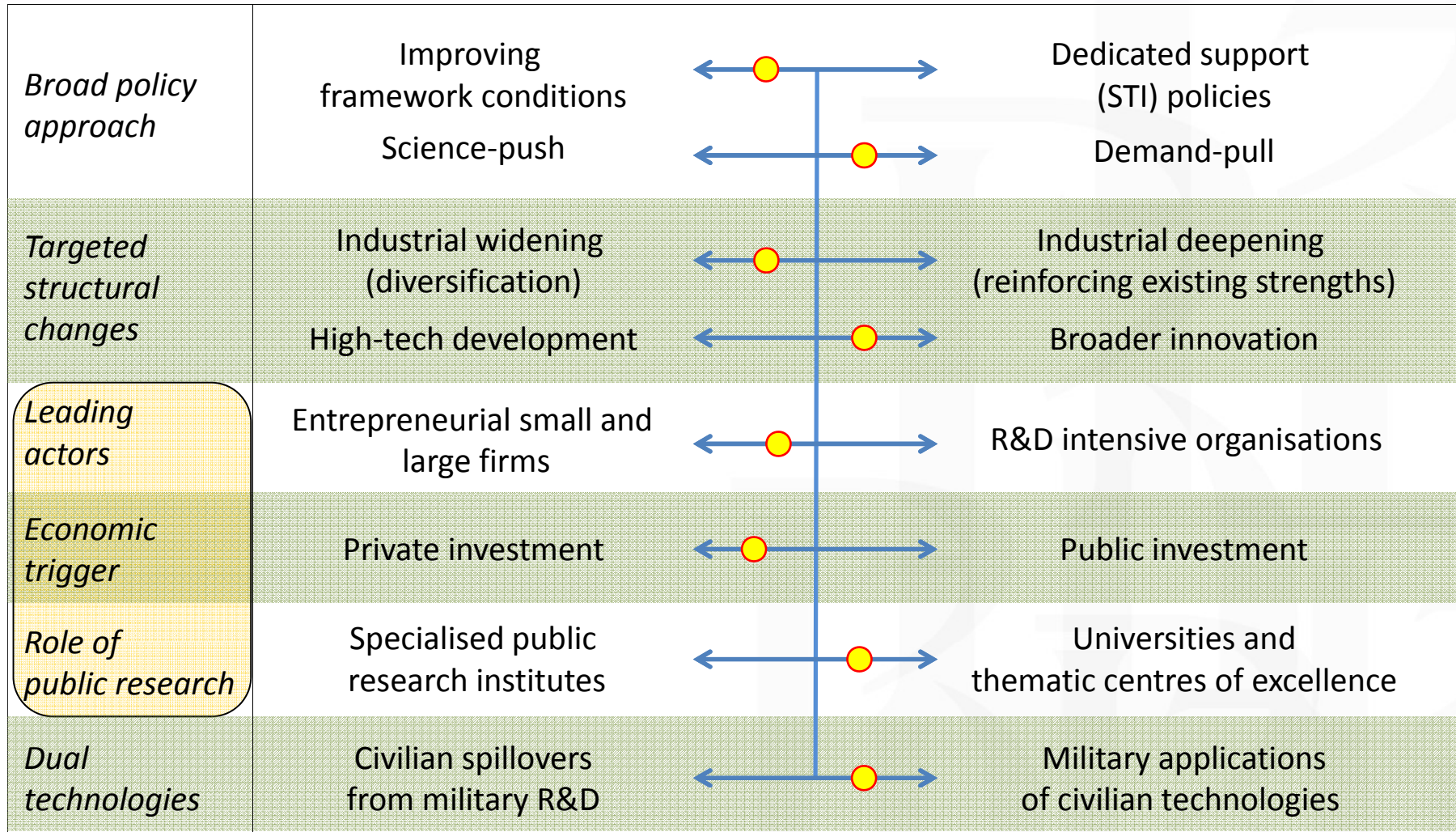
Building on strengths and remedying weaknesses

- Generous endowment of natural resources and huge accumulated intellectual capital
 - High general level of education of the population, and enrolment rate in S&T
 - Long-standing scientific and engineering culture and many centres of excellence with high international standing in key S&T fields
 - An increasing number of firms, including new ones, capable of seizing new market opportunity through innovation
 - Rapidly developing diversified innovation infrastructures
 - Federal government commitment to the modernisation and innovation agenda, and ability to mobilise resources in priority areas
 - Accumulated experience in designing and using most innovation policy tools
- A low rate of investment
 - Many disincentives in the business environment, notably the lack of competition, rent seeking behaviours and corruption
 - Underdeveloped innovative markets
 - Inefficiencies in SOEs benefiting from most public R&D financing
 - Still immature or poorly enforced innovation-related infrastructures and legislations (e.g. knowledge networks, IPR legislation)
 - Several segments of the public research system do not satisfy the criteria of excellence and/or relevance.
 - The governance system encourages partly competing visions, overlapping and too top-down policy implementation
 - Several biases in the current mix of policy objectives and measures

The overriding goal of innovation policy: Empowering innovative people and organisations



The key balancing acts



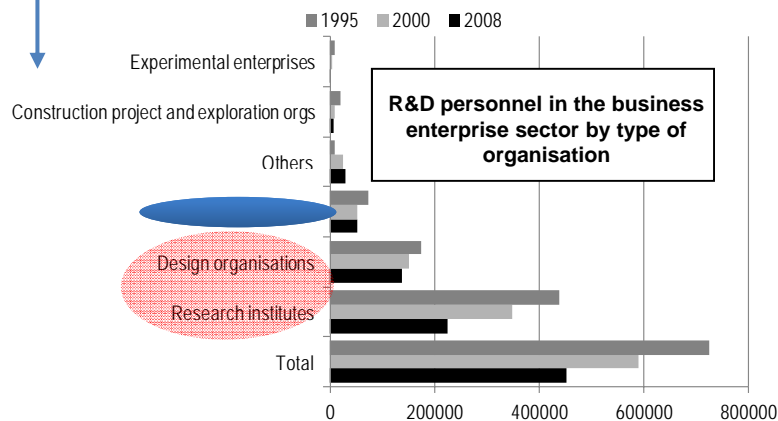
Task No1: Making entrepreneurial firms and networks of innovative firms the central actors of Russia's NIS

Current situation

- A very high rate of public financing of corporate R&D, and a very low share of private business in the performance of corporate R&D
- The dominance of design bureaus or branch research institutes in publicly financed corporate R&D
- Fast growing but still small number of entrepreneurial new innovative firms

Medium-term objective

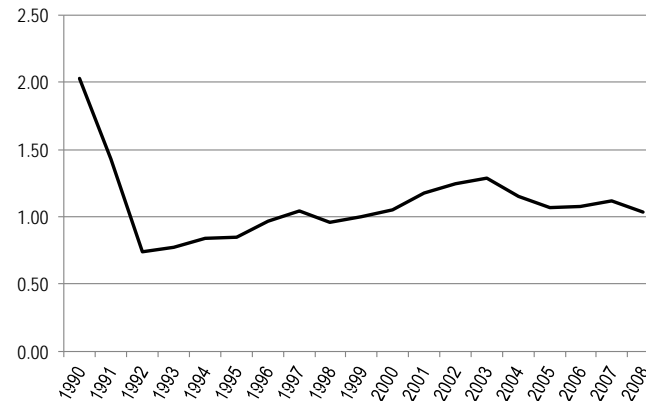
- At least 50% of self-financed corporate R&D
- Most corporate R&D performed in industrial and service firms operating on competitive national and world markets
- Quantum jump in the population of small entrepreneurial ventures, through both ex nihilo creation, spin-offs, but also spin-outs from existing firms



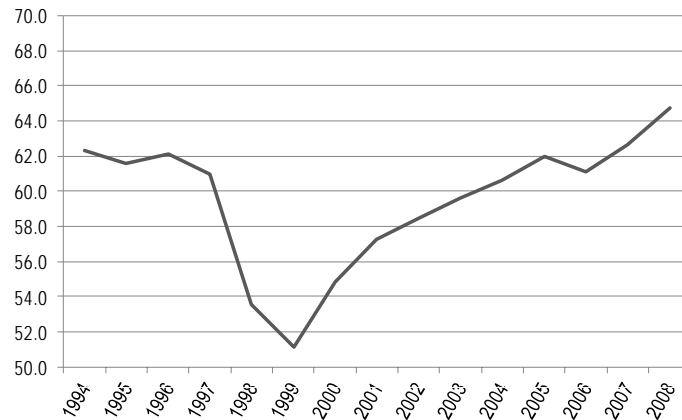
- More conducive framework conditions
- Governance and restructuring of SOEs
- New public R&D funding model
- A more fully fledged entrepreneurship policy

The share of business-financed R&D has even diminished over the last decade

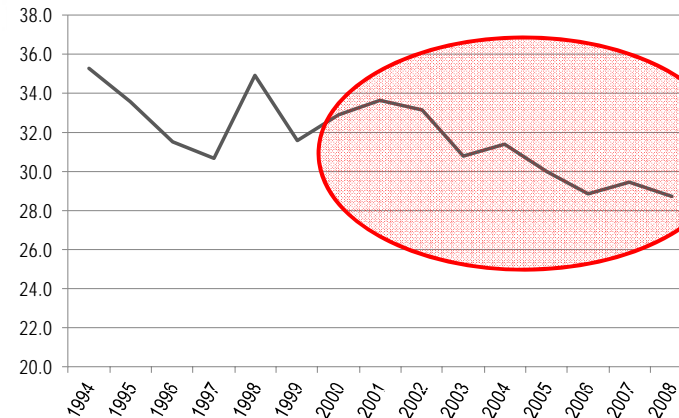
Gross domestic expenditure on R&D (GERD) as % of GDP



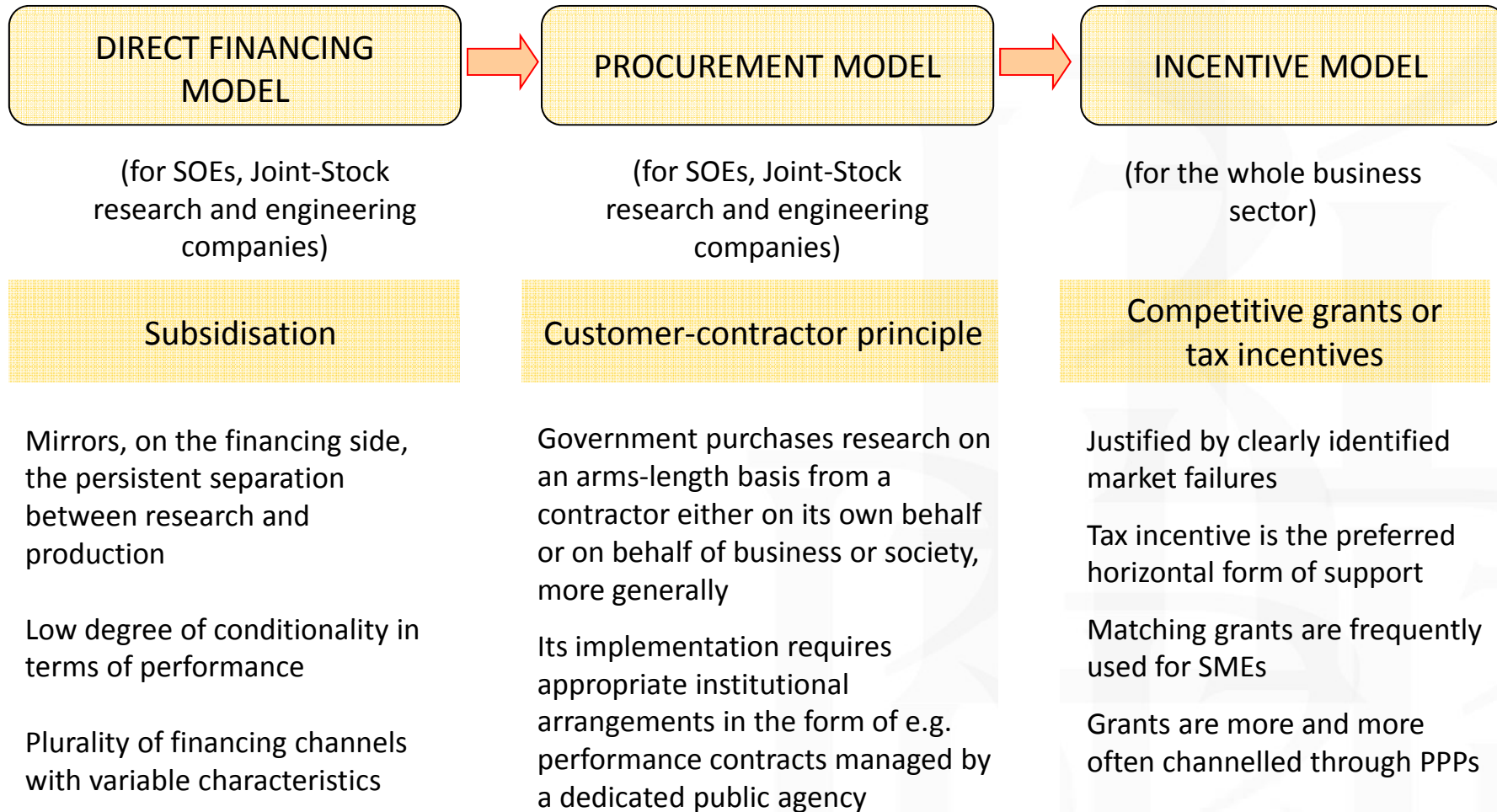
% of GERD financed by government



% of GERD financed by business



A new public R&D funding model for the corporate sector: from direct financing to financial incentives



Task No1bis: Enhancing the contribution of education and public research

Current situation

- Low, although growing role of HEIs in research
- The dominance of RAS Institutes in basic research
- Low accountability of a significant part of the public research system

- Center of Excellence approach
- Embed educational and research components in all innovative clusters
- Strengthen evaluation
- PPPs

Medium-term objective

- Double the share of public research performed in HEIs
- Make competitive grants the dominant financing instrument
- More than half of basic research performed in joint HEIs and RAS research units
- Performance-assessment procedures allow for transparent periodic assessment of the desirable size of block grants



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Thank you
for your attention!

Спасибо

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