

State Companies to Spend \$131Bln on Innovation by 2020

By [The Moscow Times](#)

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Deputy Economic Development Minister Oleg Fomichev, pictured, said the new programs would reverse state dominance in innovation expenditures.

The Economic Development Ministry has published innovation programs for state corporations that say they will spend 4.2 trillion rubles (\$131 billion) by 2020 on the effort, though it seems not all the spending is really related to innovation.

The programs are the result of an order in 2010 by then-President Dmitry Medvedev, who wanted state firms to be a source driving modernization and increasing the high-tech manufacturing share of GDP.

Two and a half years later, the ministry has now published the plans of 48 state companies. The lion's share of the spending — 3.7 trillion rubles — will be by Gazprom and Russian Railways.

The new programs change the financing model, Deputy Economic Development Minister Oleg Fomichev said. "Now, 70 percent of innovation expenses are financed by the state, the rest by business. This proportion should be reversed," he said.

The summaries of the programs and the programs themselves of most companies are short on details of exactly how the goals will be achieved.

The Expert RA agency reviewed and rated the innovation programs of 16 companies in June and discovered that most of the plans create the impression of paying lip service, and have no relationship to the strategic development of the company.

Companies that operate in a competitive segment had better innovation programs than those that are monopolists or survive on state orders, said Fyodor Zherdyov, of Expert RA.

Rosatom, which took first place in the rating, competes globally with companies from the United States and France. The nuclear power and construction firm plans to increase its research and development spending from 3.9 percent to 4.5 percent of its turnover.

Second and third places were taken by Rushydro and FSK. Rushydro plans to spend more than 1 billion rubles by 2015 on technologies to increase the effectiveness of monitoring and diagnostic equipment at hydroelectric stations. FSK plans to reduce electricity losses on its grid from 4.9 percent to 3.6 percent, while sourcing 60 percent of its equipment locally.

The weakest programs came from those companies that exist thanks to state orders and therefore have little interest in innovation, Zherdyov said. This includes companies in the defense sector like Russian Technologies, which requires the government to finance 40 percent of its 1.5 trillion ruble innovation program.

The most expensive programs — Gazprom plans to spend 2.7 trillion rubles by 2020 and Russian Railways 905 billion rubles by 2015 — somehow include funding for capital construction. The companies' plans for spending on R&D are 190 billion rubles and 54.8 billion rubles, respectively.

The programs won't have a serious effect, said Andrei Yakovlev, rector of the Higher School of Economics. "There is a great risk that reports with pretty numbers about testaments to innovation will be produced, but in practice nothing will change. There could be a small side effect: an expansion of the R&D market, as happened with the Electronic Russia program," Yakovlev said.

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