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CONDITIONS FOR SUCCESSFUL ECONOMIC AND SOCIAL USE OF INVENTIONS
AND INNOVATIONS - FINANCING DEVELOPMENT OF INVENTIONS AND
INNOVATIONS TO THE PRODUCT AND THE MARKET STAGE

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Introduction

1. One of the principal aims of scientific and technological development is to increase the competitiveness of a nation at the present time and in a strategic perspective.
2. Competitiveness is concerned primarily with imbuing in the people a spirit of competitiveness and entrepreneurship, a desire and above all a willingness to be the first in their spheres of business.
3. In social terms, a new innovative approach to development means an improvement in the quality of life, and in the economic terms – strategic sustainability, the prospect of a place in the global economy and the growth of national GDP through renewed resources of knowledge – both accumulated earlier and newly created.
4. The achievement of the aim formulated above is ensured thus:
 - a) Through the development of general culture and accumulation of knowledge, which occurs largely as a result of education and fundamental research;
 - b) Through the development of a scientific and technology sector as part of the market economy, in other words by commercializing intellectual potential.
5. Today the State can finance the science and technology sector only to a very limited degree, and the former has unconditional priority entitlement to budget money. At the same time, if the State gives its attention only to education and fundamental research, contributions to the economy will be required from more developed countries, as they will have demanded competent trained experts and the results of fundamental research. In such a case Russia's economy will receive at best only small amounts from developed countries to finance joint scientific works.
6. To ensure economic profits and social benefits from scientific and technological activity the States should promote the commercialization of intellectual potential and solve the following main problems:
 - ◆ support, including financial support, for development, technology and production focused on the maintenance of national security, the social environment and other State needs;
 - ◆ creation of conditions and machinery with which to attract non-budgetary funding in the science and technology sector through the performance of three three main functions :
 - ◆ the function of regulator of economic relations through the introduction of appropriate rules and ensuring their fulfillment, in other words the creation of an appropriate legislative field;
 - ◆ the function of guarantor to the private investor, either directly – through mechanisms involving guarantee funds and budget warranties – or indirectly, through acceptance of appropriate legislative and normative acts;
 - ◆ the function of catalyst for innovation in the form of direct financial support for commercially prospective developments, and also in the indirect form of the creation of an adequate infrastructure for technological innovative activity.

7. The State, in the form of the executive and legislative authorities, in addition to dealing with the listed problems, should constantly inform the general public of its science, technology and innovation policy and explain how the participation of private capital in the development of scientific and technological pursuits is in the national interest. Such an approach is consistent with the world trend towards global privatization of entire economies, including the field of science and technology.

8. The availability of appropriate legislation and adequate infrastructure will enable the State, even with the rather limited possibilities currently at its disposal, to solve some important problems by resorting to the basic principle of establishing partnership relations, both horizontally and vertically:

a) Corporate - creation of a highly ambitious and effective class of businessmen and managers working in the field of technological innovation on whom the present prospects of restructuring of large -scale industry in Russia are ultimately dependent and who would perceive the State as a partner, not an opponent, in matters pertaining to the development of their businesses;

b) Economic - participation of scientists, developers and producers in concerted innovative processes so that each one, while running his business, would at the same time consider it profitable to share part of his intellectual or industrial property with an investing partner in exchange for his investment;

c) Financial - creation of financial institutions, technologies and tools (start -up, guarantee and venture capital, investment banks, etc.), with the same ideas of partnership, which in principle are new to the Russian Federation, as the cornerstone.

9. Investment and innovation are the basis for the creation and operation of the whole idea -technology -commercial production -customer chain. In this situation success is possible only with a favorable environment, which is an important part in the system for financing of the chain at every stage.

10. The difficulty in financing an innovation stage, that is, the transitional stage between the idea and large -scale industrial production, is that on the one hand the level of financing exceeds the possibilities of the State, and on the other it is still not attractive enough to commercial sources, as banks and strategic partners in the form of large industrial corporations.

11. Innovations and inventions in high technology call for the right financial approach. Venture capital is the best suited to this stage.

12. Without any doubt it is the State that should -and does -play the important role in the creation of mechanisms for direct investment and formation of venture industry as a whole.

13. First of all, it is concerned with the creation of start -up funds, which, considering high risks in the Russian economy at present, are needed to solve more of a social than an economic problem, but which at the same time offer good commercial growth prospects. Moreover, any investment of start -up funds will already allow the investor to build up their reputation and prepare candidates for their future investments in the Russian market. Even though for the time being there are no real start -up funds in the market sense in the Russian

Federation, there are approaches being made, and prospects, in the light of the current legislative and economic situation, that have been tested for many years already.

14. Secondly, State investment of venture capital should itself be based on principles of partnership, in the sense of the same conditions being created for all investors, whether the State, private investors or financial institutions such as pension funds. The prime condition for the creation of such principles is the prior existence of legislative prerequisites that are compulsory for all legal entities.

15. Thirdly, the participation of the State in this process as an investor makes it possible for various mechanisms to reduce the risks incurred by other investors, or at least make the political and legislative risks acceptable to commercial investors. One of the vehicles for financial participation by the State is for example a fund of funds.

16. Finally, investments by the State and non-budgetary providers close to it, in the creation of an organizational infrastructure for innovation development (innovation centers and technoparks, training and tutoring for managers) already have resulted in rapidly growing and prospective innovative companies with adequate managing staff. Such participations also should be considered by commercial investors, as a social contribution.

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