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AEB BUSINESS QUARTERLY

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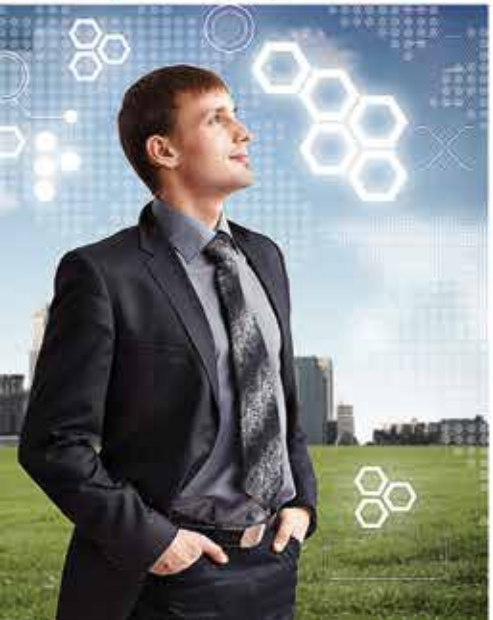
Innovation and Modernization in Russia



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Anna Shelkova
Forum Management
anna.shelkova@russia.messefrankfurt.com
Tel.: + 7 (495) 649 8775 ext. 118

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Dear Reader,

2014 was declared the EU-Russia Year of Science and was launched at an official opening ceremony in Moscow on the 25th November 2013. The aim of this initiative is to promote co-operation between the EU and Russia on modernization in order to create a healthy business environment and boost both communities, while also providing them with a common platform for technological exchange.

Over the course of twelve months, an intensive program of events and initiatives across Russia and the EU will highlight joint achievements, successes and the strong potential for future cooperation in research, innovation and higher education. The AEB will be actively participating, along with the European Commission, the RF Ministry of Education and Science and other organizations and authorities. Not surprisingly, this issue of AEB Business Quarterly is devoted to the review and analysis of existing major trends, organizations and mechanisms relevant to modernization and innovation within the Russian economy.

The issue provides you with information on, and insight into, questions relevant to the transformative technologies which influence our lives on every level: life science in the treatment of life-threatening diseases; and the activities of the Foundation for Assistance to Small Innovative Enterprises (FASIE) to support seed-funding for start-ups of innovative companies—to name only two of them.

The issue also features an article on the long history and strong partnership in science and research between Russia and EU, and the innovative path of the Skolkovo School of Management.

Technological development alone is not enough for modernization. Talent, know-how and general development are also of the greatest importance. That's why this edition also focuses on the topics of qualified personnel for innovation and of creativity as a critical factor in successful innovation.

Despite the uncertain economic and political situation related to Ukraine, the economic slowdown and weakening of the ruble, amongst other challenges, the topic of modernization remains not only relevant but takes on a new significance. Overcoming the existing difficulties is one of the most important items on the cooperation agenda between Russian and European businesses.

Finally, we would like to welcome our newest members, as we once again assure all AEB members of our unremitting efforts to promote optimum relations between the European business community and the Russian Federation.
Once again, welcome! We hope you enjoy this issue of the AEB Business Quarterly.

Sincerely yours,
Frank Schauff
Chief Executive Officer
Association of European Businesses

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EU-Russia Year of Science: Official opening ceremony, Moscow, 25 November 2013

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Mission possible: how to expand the role of AEB members in the modernization of the Russian economy

MICHAEL AKIM
Director of Strategic Development, ABB;
Chairman, AEB Innovation and Modernization Working Group

Mission

This issue of BQ magazine is devoted to the review and analysis of existing major trends, organizations and mechanisms relevant to modernization and innovation within the Russian economy. The AEB supports its members' activities in those areas, especially in view of the "EU-Russia Year of Science" (2014), in which we are actively participating along with European Commission, Ministry of Education and Science, other organizations and authorities.

About two years ago we established a Working Group on Innovation Development at the FIAC (Foreign Investment Advisory Council) to utilize innovation competences represented by FIAC member companies. The objective was to stimulate innovative development in Russia by sharing best available technologies and practices (especially in the areas of sustainable development), increasing the competitiveness of the higher education system and developing public-private partnerships. This approach proved successful due to the extreme importance of those topics for foreign companies operating in Russia. So, about a year ago, we established the Modernization and Innovation Working Group at AEB to provide a communication platform and promote the role of AEB members, including small and medium size companies, in innovation development in Russia. The aim is to expand the role of European business in helping Russia's economy develop the holistic institutional change that is crucial to creating long-term growth and stability. The group was established in order to accumulate experience of the relevant activity of member companies in the following areas: fundamental research, the development and retrofitting of processes, the development and upgrading of products, and the development and introduction of new business models.

Currently, the AEB has more than 600 members and they constitute the largest pool of scientific, process and engineering expertise that could be used for the modernization of the Russian economy. However their potential, knowledge and experience are under-utilised as far as the formation of innovation policy in government and state organizations is concerned. The mechanisms necessary to channel their contributions do not exist. An important objective of the group is to explore the possibility of establishing an interdepartmental advisory body with the participation of AEB members, as well as involving AEB technical experts in the existing advisory bodies in the field.

The promotion of sustainable development principles includes the analysis of possibilities for the application of best available technologies, practices and regulations for sustainable development. This has particular importance in the context of Russia's WTO accession. There is an acute need to adopt sustainable development principles like the "Water footprint", "Carbon footprint", global warming potential, soil and water oxidation, climate change and ozone depletion areas.

Megalopolitan atmospheric pollution is a major problem in Russia, and initiatives to support the introduction of electric vehicles are good examples in which the preparation of recommendations on the improvement of the legal and regulatory framework for new safety standards will help improve sustainable development norms.

SMEs

There are number of funds available for innovation activities, as well as for exploring funding opportunities with Russian and European sources. This could help not only major multinational corporations but all AEB members, including SMEs, with the modernization process in Russia. This is in line with the mission of Foundation for Assistance to Small Innovative Enterprises (FASIE, also known as Bortnik's foundation). Global trends in the reduction of logistics costs allowed SMEs to compete with bigger companies and develop their businesses with more creative, customer-oriented approaches. Customers are overwhelmed with options, so companies must be willing to collaborate and focus on niche markets, doing what they need to do to stay ahead of their customers where they can, and outsourcing elsewhere. This will translate into additional local engineering business for customized solutions, and boost innovation activity in Russia.

Too much R&D funding is still allocated without adequate accountability or reference to practical implementation and performance. Prioritisation and selectivity, based on the market knowledge and manufacturing abilities of AEB companies, should be used to focus public R&D resources in centres with a critical mass of research excellence.

Current innovation policy is too closely focused on high technology, which excludes large parts of the Russian economy. Since significant numbers of AEB members are in traditional industries, there should be a stronger recognition of the scope for, and benefits of, innovation in traditional lower-tech and services industries.

Education and engagement

Human capital, being the major factor in the investment attractiveness of the country, is another principal focus for the group. Russian research policy is increasingly geared to greater international cooperation, and a similar openness is needed in support of learning and accumulation of innovation capabilities in companies. The innovation system needs to open up more extensively to foreign sources of knowledge, not as substitutes for Russian knowledge but as a complement to it.

This is another principal focus for the group. Developing internationally competitive labour skills means being cost-competitive with Indian and Chinese workers on one side and competitive in knowledge with Europeans and Americans on the other. Chinese and Indian students are desperate to study and work in America and Europe. Talent is becoming more important than geography in determining a person's opportunity in life generally. This is a global trend that could be exploited in Russia in a more organized way. Currently there are only a few Russian students, mostly from wealthy families, who are studying abroad.

Talent is becoming more important than geography in determining a person's opportunity in life generally

The Russian diaspora is known for its scientific excellence and good educational level. But it is not significantly involved in the modernization processes in Russia, despite Resolution No. 220 of the Government of the Russian Federation of April 9, 2010 which declares its "support for scientific research projects implemented by the world's leading scientists at Russian institutions of higher learning".

Regional development and global challenges

We must address the issue of the impact of new WTO regulations and the customs union and, therefore, the growing impact of global competition on the Russian economy. Globalisation has dramatically increased the importance of productivity as a source of sustainable prosperity for the country. Off-shoring—using the Chinese manufacturing sector as a benchmark—has forced other developing countries to try to keep up with their low-cost solutions. Competition between countries and regions has resulted in better quality and cheaper products being produced worldwide. Therefore, adapting to new technology, skills acquisition and the absorption of knowledge have become critical sources of economic growth.

Considering the extremely high costs of grid connection, road construction, infrastructure, logistics and railway tariffs in Russia, it is worth pointing out that global integration was originally powered by falling transport costs (the opposite of the Russian trend). This was followed by falling telecommunication costs, thanks to the spread of telephones, personal computers, satellites, fibre-optic cable, and the world-wide web. The process of information exchange online has enabled business to perform various functions from remote locations—everything programming, research and engineering tasks. A lot of jobs can be digitised, automated and transferred abroad, though service jobs are less vulnerable than manufacturing ones. Anything that can be digitised can be outsourced to the smartest or the cheapest providers. Despite a local language barrier in Russia which could temporarily reduce the impact of information flow in and out of the country, this globalising trend is impacting on business here too.

Currently Russia is becoming part of the global economy, in the sense of the free movement goods and information, and with global trading in products and labour. In some cases, the same job can be performed elsewhere at a fraction of the wage cost. The global trend is to sell commodity items at low margins. Electronic trading and tendering helps to cut the "fat" out of business and should force Russian operations to be more competitive globally. Russia is being challenged, but this is healthy because everybody is at their best when being challenged. Russian manufacturing is now facing the global trend of digitisation and decomposition of the value chain. It will have to move work around and reduce costs. Global producers have outsourced manufacturing of many of their components based on their cost in countries like China, India, Vietnam, Mexico—or Russia. Faster and cheaper development of new products will be needed if business is to compete in a global marketplace.

Russia is being challenged, but this is healthy because everybody is at their best when being challenged

Commodification is happening in a wide range of industries, where the parts and components base is the same and supply is plentiful.

Every international company is being forced to be more creative and innovative in order to survive. The best global companies, like those represented y the AEB, use outsourcing as a tool for growth, not just to reduce their workforce but also to provide more and better services, more efficiently. Their experience could be extremely valuable and should be thoroughly analysed in the course of any realignment of the Russian economy, particularly for any productivity improvement.

Every region wants to attract more manufacturing investment in order to expand its tax base, despite local market peculiarities, costs and specifics. As a result, there are number of cases in one industry when similar facilities have been built in different regions without proper market assessment. Sometimes the market is not large enough to justify new manufacturing capacities. Innovative processes and the products of international companies are extremely unevenly distributed between the Russian regions. Therefore the task is to introduce a more balanced and reasonable distribution of innovative production facilities within Russia.

The Federal government should not try to do everything itself, but should instead encourage regions and businesses to take the initiative through appropriate incentives, based on best international experience. In some instances, this will mean encouraging capacity-building, for instance at the regional level, where the authorities often lack the necessary capabilities to formulate and implement a customized innovation policy. A mutually important task for the Russian regions and AEB members is to improve conditions in order to attract European businesses, as sources of innovation, into the regions. Therefore is important to establish a good dialog with the regions and, particularly through the Association of Innovative Regions, to learn about how to align company and regional interests and objectives.

Overall, our principal objective is to provide a consolidated input to improve conditions, legislation and regulations to support establishing research and development centres and value-added manufacturing.

Association of innovative regions of Russia

RUSTAM MINNIKHANOV
President, Republic of Tatarstan;
Chairman of Council, AIRR

Slowly but steadily a knowledge-based economy is developing in the Russian regions. Some regions are more advanced; some are just starting their innovative development. In mid-2010, eight regions of Russia decided to charter an Association of Innovative Regions of Russia (AIRR). Leaders of these regions agree that combining their experiences and efforts will have a synergetic effect. Later some other regions joined AIRR and now it unifies 13 regions with 21% of Russia's population, 17% of Russian GDP, 29% of Russia's innovative products, 76% of Russia's products based on nanotechnologies, 15% of Russian R&D, 150 universities with 40% of Russia's students. 9 regions of AIRR are within top 20 of Russia's rating of innovation activity of regions (among 83). According analyses of World Economic Journal (November 2012) four regions – members of AIRR – keep rather high positions on the rating of successful world regions.

The Chairman of Supervisory Board of AIRR is Sergei Naryshkin, speaker of Russian Parliament. Moscow and St. Petersburg are not AIRR members as they have specific statutes.

The main activities of AIRR are:

- to analyse and disseminate best regional practice in:

a) legislation and other elements of the business climate to assist innovative development of regions and to attract investments to regions. Such AIRR regions as Kaluga, Tatarstan, Lipetsk, Ulyanovsk are well known for good practices. The improvement of today's situation on the base of analysis, to develop model laws on innovation for regions and lobby for changes in federal laws is an important part of this activity. A special working group has been organized for this by the Chairman of Russian Parliament. According a World Bank report (BEEP 2012) most of the AIRR regions feature high among Russian regions for ease of doing business;

b) infrastructure development – Science parks (Technoparks), ITC, Industrial parks, engineering centres, business incubators, special economic zones etc. In regions of the AIRR are 34 Technoparks and Innovative Technology centres (ITC), 16 industrial parks and special economic zones. The permanent work with federal authorities to bring more and of different types of support to develop infrastructure in the regions is also an important part of this activity. Regions of the AIRR are the main beneficiaries within the federal program for support of SMEs through mechanisms of engineering centres and industrial parks. Akadempark in Novosibirsk, Technoparks in the Republics of Tatarstan and Mordovia and the Samara region are within top 10 largest Technoparks in Russia;

c) instruments to increase the competitiveness of regions, like territorial innovative clusters. In Russia we have 25 such clusters of federal value. More than half are in the regions of the AIRR. Their technological priorities are BIO, ITC, Aerospace and Oil-gas-chemistry. An important part of AIRR's international activity is to acquire international experience in clusters and poles of competitiveness and development, to organize cooperation between cluster companies of Russia and other countries, and to train cluster managers. The AIRR signed agreements with clusters from France, Germany, Netherlands.

- to organize and promote joint innovative, economic, scientific, technical and educational projects among the Association's members, with governmental agencies of the Russian Federation and Federal Institutes of development. Dozens of such events take place each year;
- to organize an interregional information database and information exchange to assist interregional sales of products and services and to optimise decision-making process.

For more information visit www.i-regions.org

Implementation of the Strategy of Innovation Development of the Russian Federation until 2020

ARTEM SHADRIN
Director of the Innovations Department, RF Ministry of Economic Development

In December 2011, the Russian Government approved the Strategy for Innovative Development of the Russian Federation until 2020. We summarize here some preliminary results of its implementation.

At the Government's initiative, 60 major publicly-owned companies, accounting for more than 30% of the industrial production of the country, have been implementing innovative development programs since 2011-2012. These programs are linked to the companies" development strategies and contribute to modernization and rapid technological development.

Within their innovative development programs, these companies plan to considerably foster research and development and the output of innovative products, including those made for export. All the programs establish key performance indicators which influence, in particular, the remuneration of managers.

Moreover, being the largest players in the economy, publicly-owned companies contribute to the development of national innovative environment and provide increase in demand for innovations. Alongside a contribution to the need for innovation, an infrastructure for interaction between science and technology is being established. The 34 technology platforms established so far constitute a communication tool which should help to improve co-ordination between science, education and business.

Each technology platform develops a strategic research program which is a result of the scientific sector coordinating the long-term development prospects of certain technological spheres, taking into account business demand and trends in the Russian and world markets. The research programs being developed are tied in with specialized state science and technology programs.

25 local innovative clusters were selected, as a result of a competition, to be "points of advanced innovative development". They all have internationally competitive businesses located within their territories which demonstrate a high output growth dynamic and a high scientific and technical potential within the research and educational organizations included within the clusters.

The clusters are located within areas with a high concentration of scientific, technical and production activities. In particular, they include a number of scientific cities and areas where specific economic zones or closed administrative units are based, including Zelenograd, Dubna, Pushchino, Obninsk, Troitsk, Sarov, Zheleznogorsk, Dimitrovgrad, and the agglomerations of Saint Petersburg, Novosibirsk, Nizhny Novgorod, Samara, Tomsk, Perm, Ulyanovsk, Nizhnekamsk, and territories located within the Khabarovsk Territory and the Altai Territory, the Arkhangelsk Region and the Republics of Mordovia and Bashkortostan.

In 2013, the Ministry of Economic Development of the Russian Federation provided 1.3 billion roubles in federal subsidies to the constituent entities of the Russian Federation for the implementation of cluster development programs. The synergetic effect characterising clusters because of the geographic proximity of their participants, should contribute to a growing number of innovative undertakings.

Europe and Russia – A long history and strong partnership in science and research

RICHARD BURGER
Research & Innovation Counsellor, Head of Science & Technology Section, Delegation of the EU to the RF

The European Union and Russia are both world leaders in the generation of scientific insights. The EU produces a third of the world's scientific knowledge and is at the forefront in many research areas. Russia has a long and proud history as one of the world's leading scientific nations and has stood at the origins of many of today's scientific schools and knowledge.

The European Union and Russia are linked not only geographically and historically, but also through their intellectual heritage and academic traditions. The models of our Universities and our Academies of Sciences have common roots, and our scientists have for centuries had a natural tendency to work together. Today, the science sectors of the European Union and of Russia complement each other in many ways. The EU and Russia are thus natural scientific partners, and the mutual benefits from close cooperation are enormous.

So it is no surprise that EU and Russian scientists and innovators have been cooperating in a wide variety of ways for many years. Many EU Member States have bilateral cooperation and exchange activities with Russia in many scientific disciplines, often based on inter-governmental or inter-institutional cooperation agreements. The extent and the level of research cooperation between the EU Member States and Russia are truly impressive.

The EU, for its part, has concluded a number of important agreements with Russia in the fields of science and research, and Russian researchers and organisations have been regular and successful participants in EU research programmes, first and foremost the EU Framework Programmes for Research and Technological Development.

EU-Russia cooperation in the area of science has thus been a remarkable success story which is waiting to be told, and is a vibrant and increasingly important part of the overall EU-Russia relationship.

The EU-Russia Year of Science: "A year-long series of events and initiatives to promote EU-Russia cooperation in research, higher education and innovation"

It is against this background that, at the EU-Russia Summit in Brussels in December 2012, EU and Russian leaders announced 2014 the "EU-Russia Year of Science", to celebrate the vibrant and multifaceted relationship in science and research between the EU, the EU Member States and the Russian Federation.

The Year's timing benefits from the conjunction of key events in 2014, such as the renewal of the EU-Russia Science & Technology Cooperation Agreement; the launch of the European Union's new Framework Programme for Research and Technological Development, Horizon 2020; and the start of Russia's new Federal Targeted Programmes for Research and Development.

For more information about EU-Russia cooperation in R&D, visit http://eeas.europa.eu/delegations/russia/eu_russia/fields_cooperation/science_technology/index_en.htm

The initiative will see a large number of events across the EU and Russia, involving scientists, companies, universities, research organisations, innovators and the wider public. It will build on Russia's strong involvement in the current EU Framework Programme for Research and on the dynamic cooperation in research between EU Member States and Russia

The Year of Science was officially launched at a festive opening ceremony in Moscow on 25 November 2013 by European Commissioner for Research and Innovation Máire Geoghegan-Quinn, Russian Deputy Prime Minister Olga Golodets, and Russian Minister of Education & Science Dmitry Livanov.

The event was attended by some 400 participants and speakers, including Ministers of Research from the European Union, Aide to the Russian President Andrey Fursenko, and representatives of industry, science, technology offices and academia from all over the EU and Russia, and provided an opportunity for the EU and Russia to reiterate their commitment to reinforced cooperation in research and innovation.

The ceremony was followed by a conference "Towards a Vision for EU-Russia Science, Technology and Innovation Cooperation" on 26 November at Moscow State University, which discussed and mapped out ways to take the relationship to the next level. Numerous opportunities for joint EU-Russian projects were presented at a special information session on 27 November, held at Russia's Diplomatic Academy.

For more information about the EU-Russia Year of Science 2014, visit http://eu-russia-yearofscience.eu

EU-Russia Year of Science: Official opening ceremony, Moscow, 25 November 2013
L-R: **Olga Golodets**, Deputy Prime Minister of the Russian Federation, **Dmitry Livanov**, Minister of Education and Science of the Russian Federation and **Máire Geoghegan-Quinn**, EU Commissioner for Research, Innovation and Science, cutting the ribbon at the opening launch.

The EU-Russia Year of Science will provide ample opportunities for organisations and companies from across the EU Member States and Russia to promote their past, present and planned activities in scientific research, technology development, higher education and innovation. And it will be a unique opportunity for scientists, universities, innovators and the wider public to put forward their ideas for new partnerships to build and for new research areas to explore together.

Horizon 2020 – the biggest EU research and innovation programme ever

Significantly, the start of the EU-Russia Year of Science coincided with the launch of Horizon 2020, the biggest EU Research and Innovation programme ever, with nearly € 80 billion of funding available for seven years (2014- 2020) – in addition to the private investment that this money will attract. Horizon 2020 is the financial instrument implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness. It promises more breakthroughs, discoveries and world-firsts by taking great ideas from the lab to the market.

By coupling research and innovation, Horizon 2020 puts the emphasis on excellent science, industrial leadership and tackling societal challenges. The goal is to ensure Europe produces world-class science, removes barriers to innovation and makes it easier for the public and private sectors to work together in delivering innovation.

Horizon 2020 will foster innovation through collaboration, bringing together researchers, innovators and industry from the European Union and beyond. Horizon 2020 is open to everyone from everywhere. And Horizon 2020 is open for business and very much open to businesses in Russia, the largest companies and the smallest enterprises included.

It is grouped around the three pillars of "excellent science", "societal challenges", "industrial leadership". All three of them, and especially all collaborative projects targeting global challenges and industrial leadership, are open for participation by Russian entities, in partnership with European counterparts, who may be from industry or academia – it all depends on the project which they embark upon together.

Research and innovation are key to solving the societal challenges faced by both Russia and the European Union, such as food safety, energy security, clean transport, public health, environmental threats or an ageing society, which cannot be solved by a single country working alone. That's why Horizon 2020 takes a challenge-based approach, supporting research and innovation that will tackle the key societal challenges that we all face.

Importantly, the grants that will be offered by the Marie-Skłodowska-Curie mobility programme and by the European Research Council, under the Horizon 2020 "excellent science" heading, will be available to researchers irrespective of their country of origin or citizenship.

Like its predecessor programmes, Horizon 2020 will select projects based on regular open calls for proposals and international peer review, involving the best experts from across the world. The vast majority of activities to be supported by Horizon 2020 are of a multilateral, international character, each involving different actors from academia and industry.

What makes Horizon 2020 especially attractive for the EU's international partners such as Russia is:

Today, the science sectors of the European Union and of Russia complement each other in many ways

- the collaborative character of the initiatives which Horizon 2020 will support, which will help to connect scientists and universities with business and industry;
- the opportunities which Horizon 2020 will offer to market one's ideas, know-how and technologies internationally.

That this is of great value is evidenced by the fact that organisations from Russia, as well as from the United States, have consistently been the most active participants in the EU Framework Programmes in the past.

In fact, Russia has been the most active international partner country in the EU's Seventh Framework Programme for Research & Technological Development, which concluded in 2013. More than 270 different Russian institutions have worked in almost 300 projects together with European partners. The total value of these projects is over € 2 billion, of which over € 1.3 billion is financed by the EU. The total value of Russia's participation is € 103 million, of which € 64 million was financed by the EU.

This alone shows a remarkable level of cooperation with Russia, and it has allowed Russian and EU scientists to collaborate on a wide range of research topics and technological areas.

Just one example from the area of aeronautics and aviation technologies illustrates the level of this cooperation: all significant players in R&D, and not just from Europe, are regular participants in projects supported by the EU Framework Programme, such as Airbus, EADS, Finmeccanica, Onera, Rolls Royce, Safran, SNECMA, Thales, but also General Electric and Boeing, to name just a few. From Russia, TsAGI, TsIAM, GosNIIAS and VNIAM have been frequent partners.

In addition, Russia has established 33 technology platforms, involving hundreds of industrial enterprises. These platforms mirror the European Technology Platforms and will help to identify opportunities for collaboration between European and Russian industry, through Horizon 2020 and through the analogous Russian programmes.

The National Contact Points in Russia that will surely be set up for Horizon 2020 will be there to assist. Many of them have gained valuable experience in helping participants from Russia to take part in previous EU Framework Programmes and other European initiatives. Similarly, the "Enterprise Europe Network–Russia" consortium, Gate2RuBIN, organises technology fairs, manages a large technology transfer database, and is ready help prepare for participation in Horizon 2020 projects.

All this has already created a vast network of contacts between European and Russian researchers, business and laboratories and provides a solid basis for future cooperative relationships in Horizon 2020.

For more information about Horizon 2020, visit http://ec.europa.eu/programmes/horizon2020

20 years of seed financing in Russia

IVAN BORTNIK
Chairman, FASIE, Russia

In early 1994 the government of Russia took a decision to charter the first state foundation to support seed-funding for start-ups of innovative companies, and named it the Foundation for Assistance to Small Innovative Enterprises (FASIE). From the beginning, the intention was to reproduce the well-known SBIR Program in the USA. What to support and how, systems of calls for proposals and expertise, and regional activity should be imitated. Even the principle of organizing of FASIE's budget as a certain percentage of federal budget for R&D, was the same.

This was only five years after small business had been permitted in Russia. It was also a time when the economic situation was challenging, with most small businesses just buying and selling. R&D research institutes were neglected by industry so still-active engineers and scientists started to organize privately-owned Small Innovative Enterprises (SIE). However the economic situation was unstable, the R&D budget was small and the budget of FASIE was therefore small too. Scientists and engineers who started new SIEs were obliged to leave university facilities but were not given space for their companies. Therefore FASIE started by giving assistance to SIEs already existing in the market, even though these were often unstable. The second line of activity was to finance jointly with other state partners the development of infrastructure for SIEs similar to ITCs in Germany.

From that time until now one method of financial assistance by FASIE is giving an SIE a state contract. Within that contract FASIE also agrees that Intellectual Property Rights for the intellectual property created by the SIE at the expense of financial support from the state belongs to that SIE.

As the economy became more stable and the financing of science grew, public and private venture funds matured. So FASIE started to move more and more into seed and pre-seed financing. Now, through the program UMNIK (which means SMART) of pre-seed financing, FASIE each year supports, by personal grants of €5k per year, 2000 young innovators (up to 28 years old) each year from about 70 regions of Russia. About 20,000 participants compete for these grants, which aim to give young innovators more financial freedom to work on their ideas.

If a team is ready to start a new business and start a company, they are supported through the seed program START for three years with grants of €25k, €50k and €75k for the first, second and third years respectively. However, only the first year is financed by FASIE alone. A condition for second and third year financing is that private venture investors jointly fund the project on a parity basis. Each year about 2000 applications are evaluated by about 500 independent experts and 500 start-ups are chosen for support.

Today about half of FASIE's €100 million annual budget is used for these two pre-seed and seed-funding programs. The other half of the budget is used to assist SIEs which are already in the market. Though the sales of these companies are in the range €1-5 million, and therefore still in the early stages of development, from this stage they may grow either through their own sales or with support from other "floors" of the so-called innovation elevator in Russia. FASIE is the first "floor" of this elevator, the next being the Russian Venture Corporation (RVC), which has capital of €700 million. The third "floor" of the state innovation elevator is the ROSNANO Corporation, with capital of about €7 billion. Finally there is Vnesheconombank.

FASIE is experienced with both options for growing companies. Some SIEs initially supported by FASIE now have sales up to €100-200 million, without support from any other elements of innovation elevator. And more than 100 SIEs supported by FASIE are now on different "floors" of the elevator.

Development of the Russian innovation ecosystem – in search of optimal decisions

EVGENY KUZNETSOV
Director of Strategic Communications Department, Russian Venture Company

The subject of Russian economic modernization and putting the economy on an innovation footing has not only recently caused much discussion in Russia and abroad, but is being vigorously implemented. In fact, there are two different processes that are developing in parallel and interacting with each other, and they do not always run in a coordinated and efficient way, producing endless argument about innovative development management.

The first tendency that Russia, like all other large economies, is facing is a fundamental adjustment in global industry, trade, economic relations between the leading countries, and changes in the leading states" roles in the emerging post-industrial economy. Russia is struggling to keep up with this global process as it is losing its scientific and research potential accumulated as far back as in Soviet period, on the one hand, and is falling into the role of a country supplying natural resources and low-technology products, on the other. The other process defining the scope of modernization and innovation activities in Russia is its internal search for the most efficient balance between old and new economy sectors at the regional and municipal level, and support for those social groups (technological entrepreneurs primarily) who are willing to apply their efforts to new opportunities brought about by new ways of supporting innovation development, such as venture capital financing and the optimisation of the R&D activities of corporations.

One of the main development problems in Russia is the inconsistency of these two processes, since the global overview shows that Russia has a significant disbalance at the level of interaction between all the key parties in innovation, and currently these problems are proving difficult to resolve. One of the most obvious problems is the resistance of the Russian economy to use the highly qualified, well-trained and creative personnel in the field of science and research who are still being produced by the Russian educational system. Though this is a widely known issue, there seems to be no understanding at the institutional level of how to apply the creative potential of young Russian graduates without fundamental economic reconstruction.

This reconstruction requires such tremendous resources, not only financial ones, but also political, because it is related to risks and periods of eventual instability at the level of specific regions as well as in the whole country. Another serious problem is the gap between the institutional development processes and the economic ones. In particular, the general weakness of the institutions such as legal culture, the legal basis for high-tech application, precedents, etc., make the Russian jurisdiction less competitive compared to the jurisdictions of other countries. This results in a "flight of business" and a "flight of capital". The solution to these problems is not directly connected with the development of processes specific to innovative activities. It is due to the fact that at the state and corporate levels the innovative management mechanisms are confronted by a quite different class of mechanisms which are efficient only when initial issues are resolved. The situation in Russia is that it is necessary to resolve fundamental problems first—and this is happening, but probably not fast enough.

Quite a lot has been done lately to address the first fundamental issue—for example, the creation of new legal forms to support activities of innova-

tive companies and venture funds. This involves setting up new types of company such as limited partnerships, commercial partnerships, etc. Quite a lot has been done to upgrade general legislation. The state is putting a lot of effort into modernising the university system, the system of interaction between educational and the industrial complex in specific regions (the so-called "cluster development program"), development of their interaction at the industrial level (a program of technological platform development), and preparing a special class of players to facilitate scientific, research and industrial community operations (such as engineering centres), etc.

Broadly speaking, the task of venture fund system implementation may be considered solved, since Russia is the fourth-largest market in Europe and has the fastest growth rate. The program of implementation of regional structures to support technological development (technology parks, etc.) is quite well advanced. Thus, a lot of effort has been made to ensure a general balance of institutions providing modern economic operations. However, it is too early to talk about some accomplished positive changes since the work is still in progress.

The second type of efforts made by the government to encourage innovation development includes creation of the specific innovation environment and culture necessary to move the economy to a new level. These activities were first structured and described in Russia Development Strategy 2020, as well as within the Institutes for development and in regional, territorial and other programs. This work is primarily oriented towards creating and supporting specific activities and institutions which are typical of innovation-driven economies, especially for such catching-up development economics as Singapore, Finland, etc.

This model is based on the support for specific operations like technological entrepreneurship and the creation of special institutions to facilitate these operations, like venture funds, technology parks, incubators, technology transfer systems. On the one hand, we see significant progress being made in this field, as evidenced by a rapid increase in numbers of events and innovation ecosystem players. In particular, this is due to the active support rendered by Russian Venture Company (RVC), in particular, and other development institutions, a national system of start-up competitions, a national technology parks and incubators network, and various educational programs. There are thousands of start-ups offering sound technological ideas and skilled teams in Russia. According to the 2012-2013 results, the number of transactions involving high-tech companies is 150 to 200 or more. We are looking at publicly available data, even though most transactions are private and are not subject to disclosure. Thus, taking into account existing growth rates, we can say that the intensity of investment activity in the field of high-tech entrepreneurship continues growing towards the level of such leaders as Israel and Great Britain.

The major problem in innovative network development in Russia is that its biggest part is now developing in those technological industrial segments that were not covered by the Soviet and post-Soviet regulatory systems, especially in the field of IT and the Internet (IT segment). These are the fields making the most impressive progress, thanks to the absence of old infrastructure that would hinder the development. But still, any attempts to transfer innovative development tools from IT to other industries face a range of fundamental system problems. For example, at this date, in the field of biotechnology there are mainly funds created from the capital contributed by RVC (4 funds), ROSNANO, and other state development institutions. Private investment in this field is much weaker than in IT. In the

industrial technology sector the largest proportion of investment funds are of mixed state and private origin. The main reason for the gap between industrial technology and biotechnology in terms of innovative development is the fact that the large Russian corporations which matured and emerged during the Soviet and post-Soviet period do not have embedded within them innovative approaches to product management and promotion.

Lately much effort has been devoted to resolving the issue of low demand for innovation from large Russian businesses. In particular, the Russian Ministry of Economic Development and RVC created the R&D Directors Club, bringing the companies with state ownership together to work on innovative development plans and innovative development tools in general. To some degree this mechanism has started to bring positive results. For example, 12 project teams participated in the educational program on establishment of corporate venture capital funds implemented by RVC, and they have come quite close to solving the task of corporate venture capital fund creation. Nevertheless Russian industry mostly remains resistant to modern innovation management methods and tends to substitute innovation by technological modernization, often implemented by purchasing global solutions without making fundamental adjustments to meet their specific needs. Moreover, Russian companies have not yet developed sufficient skills and tools to procure technology through M&A transactions. They prefer not to purchase businesses, but technological solutions, which is quite a slow way to improve and upgrade a company's business, both at its core and at its production facilities.

Nevertheless, a pool of leaders has emerged in Russia lately. Mainly these are IT companies, such as Yandex, Kaspersky and Parallels, that are competent in creating modern high-tech global businesses and possess purchasing skills to acquire new businesses and start-ups in the open market, which helps them to develop their main products based on solutions produced by high-tech entrepreneurs.

The pace of change in Russia for the past decade has been quite high. On the one hand, the government provided quite a comprehensive model of Institutions for development, the so-called "innovation elevator". This model covers almost all technological cycles, starting from pre-seed and seed investments at the beginning and investments into large high-tech companies. Currently, significant efforts are being made to develop and include educational and scientific organizations into this scheme by means of management system modernization and targeted assistance. All Institutions for development show quite consistent development rates in terms of number of supported companies and the efficiency of their programs aimed at development of technological ecosystems and a high-tech entrepreneurship environment. On the other hand, the private market has also responded to these trends and the inflow of private investment is currently the reason for the rapid growth in available venture fund capital. In terms of the number of funds and amount of available capital, Russia has been showing very rapid growth. Thanks to support for institutions for development, more sophisticated venture investment tools are being created, for example, seed funds, funds engaged in highly complicated high-tech industries, etc.

The key challenge that the Russian economy is facing now is to create global products and bring them to the global market. This is one of the most obvious market gaps, and there are only a few government support tools to fill it. This is the most interesting area in which the Russian government, Institutions for development and private capital can cooperate with international business, large and medium-sized companies and investors. The main objectives include joint technological developments, improved purchasing technique and technology transfer, and building up civilized relationships between large-scale international businesses with Russian high-tech engineering centres. The process of investing in technological companies shows that, in spite of the fact that Russian start-ups are not very attractive at the international level, the amounts invested and the interest in Russian high-tech products are growing.

So, we can predict that companies starting to interact with Russian start-ups and investors in the future will be able to boost their business development by being the first to acquire access to the most efficient Russian technology and companies. A lot of cooperation opportunities have already been created – cluster programs, technology platforms, joint investment into Russian start-ups through joint state and private venture funds (RVC funds), and joint R&D centres (Skolkovo). Thus, a window of opportunity is open for large and medium-sized European and Russian companies to use the potential of Russian high-tech engineering resources for their own business development.

Innovative Development at the Skolkolvo Business School

ANDREI SHARONOV
Dean, Moscow School of Management SKOLKOVO

These days the world is talking a lot about the crisis within MBA studies and business education in general. Academic institutions are drifting away from market realities, and schools are losing customers. Business wants to see graduates who are sensitive to the market and are ready to make decisions based on experience and knowledge, not on business cases written many years ago. Moreover, it is necessary to study the subtleties of doing business in the country where a student lives, and not in the US or Europe. Students should actively communicate with the business elite, understand what is happening in society and know how to apply their knowledge and competences within that society. Such criteria have shaped the approach to education at the Skolkovo Business School.

The Moscow School of Management Skolkovo, established seven years ago, is the largest private business school in Russia. It was founded by successful entrepreneurs, together with managers and owners of major Russian and foreign companies, who have proven their commitment to the entrepreneurial spirit. It is worth emphasising that the business school and the Skolkovo innovation centre are "namesakes". We are an intellectual centre and discussion platform for business, government and society, and the key area of our activity is business education, whereas the innovation centre is engaged in the commercialisation of technology and scientific developments.

We have implemented the idea of creating a new type of school since day one. The Skolkovo Business School has not tried to imitate Harvard or Stanford. We have chosen an innovative path of our own. Our strength lies in the rejection of the traditional academic education in favour of the learning-by-doing principle, introduced through the project approach. Having obtained the crucial knowledge, students in various programmes devote considerable time to the development and launching of their own projects. These are often linked to specific problems of the company from which the student comes. Furthermore, we prefer a modular approach which allows study to be combined with full-time work, which is important for successful people. However, during the modules, students are always on campus and deeply immersed in collective work.

Corporate programmes are the most intensive form of training provided at the Moscow School of Management Skolkovo, which has had over 9,000 students during the seven years of its existence. Among our customers are some of the largest companies operating in Russia, including Evraz, LUKOIL Overseas, Transneft, Gazprom Neft, Raiffeisenbank, Rosatom and others. The goal of the corporate programmes is to build change teams for the companies sending their groups to train with us. Within six to nine months of modular studies, students work together on real-world problems selected by the owner or director of the company. Upon completion, these projects are defended and the contribution of each member is discussed. The efficiency of this approach is confirmed by statistics: within six months after completion, the majority of students are promoted.

Training for public service is another crucial element of the school's agenda. Let us have a look at two illustrative examples. We have successfully completed a programme specifically developed for the Arkhangelsk Region by training a joint team from NArFU (Northern (Arctic) Federal University) and the regional governments. The programme focused on innovation, regional development, strategies for the future and the use of various tools to unlock the Region's economic potential. As a result, we helped to establish a pool of leaders with

modern ideas on management, a consistent understanding of the Region's development directions and the skills necessary to introduce changes which should transform the Region into one of the country's leading ones.

Secondly, not so long ago the Moscow School of Management Skolkovo launched a programme for the Moscow government. It was designed for the capital's executive authorities responsible for innovation, and aims to provide participants with modern managerial competencies in building an innovative urban environment. Moscow Mayor, Sergei Sobyanin, proclaimed the goal of increasing the volume of innovative products bought. In 2014, the city budget is approximately 700 billion roubles, at least 5% of which has been allocated for procurement of innovative goods and services. Skolkovo Business School aims to prepare the change teams and the methodology, not only for innovative products procurement, but also for their validation.

The programme for the Moscow government comprises four full-time five-day training modules and one final three-day module. It will be held on the Skolkovo campus and include lectures, workshops, seminars, discussions and pooling of experience with experts from other metropolises. The civil servants will be introduced to the tools to support innovation and state-of-the-art projects in various industries. The programme also includes the preparation and defence of a team project that will become a model for a successful solution to the real problems of innovation management in Moscow. These projects will contribute to the acquisition of new management skills by the participants.

In conclusion, I would like to emphasize that Skolkovo is a unique project not only within Russia but also worldwide. Faced with the crisis in traditional business education, many of the leading business schools have not been able to change the vector of their development and refocus the services they offer to harmonise with the latest market requirements. We chose the best innovative approach, which has with tremendous potential.

A clear correlation between innovation and growth

EVGENY ORLOVSKIY
Director, PwC

Executives are looking for growth: 35.4% on average, over the next five years. Ninety three percent of executives tell us that organic growth through innovation will drive the greater proportion of their revenue growth. Only 2% of companies expect their growth to be mainly inorganic (i.e. M&A-driven). Innovations becomes a more necessary condition of business growth and competitiveness, and leading innovators derive more advantages over their competitors demonstrating faster and more high-quality growth. Over the past 3 years, the growth indicators of top innovators in our study exceeded those of less innovative companies by 16%.

The leading innovators in our study forecast that their rate of growth will further increase to almost double the global average, and be more than three times higher than the least innovative. For the average company, this equates to $0.5bn more revenue than their less innovative peers. Companies who are less innovative need to think about the additional revenue that they are forsaking and the impact this will have on their share price and shareholder returns.

Innovation is transforming business

Leading innovators are taking a more sophisticated approach to innovation, treating innovation management as one of the key business functions.

- 79% of the most innovative companies in our study have well-defined innovation strategies, compared with only 47% of the least innovative companies.
- Top innovators treat innovation just like any other business process that can be efficiently structured, implemented and managed systematically. Only a fifth of the most innovative manage innovation informally, compared with a third of the least innovative companies.
- Top innovators are targeting a higher proportion of breakthrough and radical innovations, not only around technology and products, but also services, processes and business models. In some areas the proportion is around twice that of the less innovative companies.
- Leading companies in Russia and around the world are planning a wider range of innovation operating models. For example, innovators in our study are twice as likely to consider corporate venturing as a means to drive growth.
- Top innovators collaborate more than their less innovative peers. When it comes to new products and services that are collaboratively developed with external partners in order to create new products and services, the most innovative companies collaborate over three times more often than the least innovative.

Russian companies are seeing more value in innovation as a source of growth and a way of boosting the attractiveness of their business. Moreover, the efforts of the Russian authorities in promoting innovation in the economy are also a way of recognising the important role that innovation should play both in public and private companies. Furthermore, Russian companies have many options for boosting their effectiveness in managing innovation efforts.

Only 8% of Russian companies see themselves as leaders in creating and introducing innovations. For comparison, the percentage of these companies in other BRIC countries is to 22%. This gap exists even though Russian companies are now extensively investing in innovations. This proves the real potential for boosting efficiency by managing innovations within the Russian business.

- The development of real innovation strategies is still of the utmost importance. For example, only 17% of top managers at Russian companies surveyed fully confirmed that effective innovation strategies were in place. For comparison, this figure is 30% for companies in the leading emerging markets and 21% for Europe.
- Almost 40% top managers at Russian companies consider the formation of

efficient operating models for managing innovation to be the most daunting task in this area. Such models allow companies to actively carry out earlier agreed innovation strategies. As a result, almost 60% of companies experience difficulties in commercialising innovations quickly and effectively bringing new products to market.

- Innovation management is now more often regarded by Russian business leaders as an important and self-contained business process. At the same time, only 27% of the respondents confirmed the development of innovative business approaches in their companies. This figure is 39% in the leading emerging markets.
- Russian companies prefer to focus on improving innovations and are being careful investing in breakthrough innovations; for comparison: the world's top innovators are investing in breakthrough and radical innovations almost twice as much as their least innovative competitors.
- More Russian companies are now taking advantage of partnerships, including those with foreign companies, in order to tackle innovative projects and obtain access to new technologies. Nonetheless, Russian companies are not actively involving consumers in the development and implementation of innovative solutions, in contrast to their counterparts in other BRIC and European countries.
- Finally, a priority for many business leaders remains the cultivation of a culture of innovation within their companies, as well as attracting and retaining highly qualified specialists to take part in innovation-focussed projects. 55% of business leaders in Russia indicated this as a priority, while this figure in other BRIC countries was even higher, at 64%.

The competitive challenge

Business leaders need to realise that innovation pioneers already exist within their own industry and across all parts of the world and that if they are not among those pioneers, they need to be ready to meet that competitive challenge if they are not to be marginalised. Innovation is not limited to a small number of industries or countries. There are numerous lessons that can be borrowed, tailored and made to work for any business. Our study is your guide to the world of innovation and new market opportunities.

Russian public-private partnerships to contribute innovations

Interview with Pavel Seleznev, PPP Development Centre

PAVEL SELEZNEV
Chairman of the Board of the Public-Private Partnership Development Centre

Attracting private capital into production innovation and research and development (R&D) is a new idea for many people, but which may become a reality through PPP mechanisms. According to Pavel Seleznev, Chairman of the Board of the Public-Private Partnership Development Centre, innovative infrastructure promotes the growth of working efficiency in science-consuming spheres.

What are the expected results of using Public-Private Partnership (PPP) mechanisms to modernize Russian infrastructure and increase working efficiency?

As is known, the Russian government is seeking ways to involve private investors in long-term infrastructure projects. Public-private partnerships are one possible instrument for aligning public interests with private ones while creating and managing infrastructure. On the one hand, by use of such a mechanism, projects become less costly for the state budget. On the other hand, it improves the quality of services and increases working efficiency. Quality infrastructure positively influences the quality of life and social mobility. This leads to growth in working efficiency.

What's the efficiency of PPP mechanisms for R&D?

Investments into research and development activities involve high risks. Naturally, this worries businessmen. Fundamental science as well as highly-developed applied science and technology are necessary for creating innovations. A critical number of experts and specialists are necessary for this work, which financially makes industry independent. For example, modern physics employs approximately 100,000 professionals.

It is obvious that the state is responsible for establishing conditions for developing science when business on its own cannot cope with the task, even theoretically. Moreover, with all the necessary conditions available, the outcome of research is unpredictable as, at best, only one project in ten is carried through to successful implementation.

Using the PPP mechanism, private investment can be extremely useful in R&D, i.e. in the construction of infrastructure for scientific ends. It provides for the process of innovation and its resulting work. The High-Tech Park in Belarus can serve as a good example of a successful partnership between government and business in which the state provides the infrastructure and tax benefits while the private sector carries out the process. For instance, the computer game "Tanki" (tanks), popular all over the world, fully returned the investment in its development.

What is the possible contribution of PPP mechanisms to the development of science in Russia?

Private investors want to attract capital to their projects, and ultimate success is influenced by a number of factors. Among them is the availability of innovative infrastructure, such as multipurpose offices, laboratories, accommodation for specialists and kindergartens for their children. The potential of PPP mechanisms lies mainly in providing the scientific sphere with the required infrastructure.

The term PPP is understood differently in Western countries. We use the term to describe the first step on our road to Western mechanisms of developing infrastructure

As I see the situation, Russia needs 3-4 years at least before it can begin developing science through PPP mechanisms. The areas where this can be done are territorial innovative clusters or special economic zones. To date, the PPP Development Centre is working on a research project on applying PPP mechanisms to R&D.

And what has this research revealed?

We have considered approximately 50 investment projects involving territorial innovative clusters which required government participation within the Federal investment targeted program. Most of them are aimed at developing social and communal infrastructures. Local authorities, supported by the financial participation of businesses, achieve them by means of PPP contracts.

Analysing most of the cases of public partnership in Russia, we have found out that only ten of them may be realized by using PPP mechanisms. Most of them are aimed at either developing social or communal infrastructure or at constructing the associated infrastructure facilities for R&D, especially setting up innovative clusters (hubs, research centres for collective use and so on). However there are also projects for building up facilities for the inhabitants of innovative clusters in Russia.

PPP projects within territorial innovative clusters are realized mostly through concession agreements (communal and social infrastructures) and setting up special purpose vehicles (SPVs). Many projects are sure to be implemented on the basis of PPP agreements which will be compiled and signed after the adoption of the Federal law: On Fundamentals of Public-Private Partnership in the Russian Federation.

We consider the construction of R&D centres using PPP mechanisms has a good future. It implies attracting financial resources of residents and private investors and makes them share the risks related to creating scientific infrastructure with the government.

The term PPP is understood differently in Western countries. We use the term to describe the first step on our road to Western mechanisms of developing infrastructure. The PPP Development Centre is now actively working on the idea of implementing the PPP mechanism in different spheres, including the defence-industrial sector and R&D.

Modernisation & Innovation – in a regional (oblast) development context

AAGE V. NIELSEN
Managing Director & Senior Partner,
Vitus Bering Management Ltd.

The main reason why oblast governments and authorities are supporting and promoting modernisation and innovation among companies and public and private organisations is usually because the government wants to accelerate economic development. This includes increasing RGP (Regional Gross Product), and thereby improving the real income and living standards of the population both in the short and longer term.

The idea is that modernisation and innovation should increase value added by business, and socio-economic activities, within the oblast. A focus on increasing "Value Added" is a must in order to develop the economy and improve living standard of people in any country or region.

In other countries, improving R&D, modernisation and innovation, and the value adding process has in practice proved to be a very difficult process.

In order to achieve sustainable growth, an Oblast needs a well-founded "Master Development Plan" with short-, medium- and long-term (30 years) perspectives.

It is important that growth is based on increasing Value Added and the productivity of existing resources. OECD research has shown that successful regional development is closely linked to an initial improvement in growth based on existing resources. This also makes it easier to attract external resources which add to the growth, like Direct Investments, highly-qualified specialists, entrepreneurs etc.

The "Master Development Plan" should deal with issues like sector development, education & vocational training, science & innovation, infrastructure improvement & development, improving the health of population, improving energy efficiency, etc.

The main guideline for the master plan should be increasing "Value Added" in a broad sense simply because increasing the added value in the products and services produced within the Oblast is the best way to short-, medium- and long-term economic development and sustainable economic growth and prosperity for its companies, organisations and population.

Maximizing "Value Added" has some important implications:

- Continuously improving quality, productivity and efficiency
- Continuously improving the education level and skills of the population
- Improving R&D and innovation – at a scientific level but also at company level with regard to product development and operational standards and efficiency
- Increasing and retaining a high capital investment growth rate and as part of this:
- Attracting external investors, both from other Russian Oblasts and Foreign Direct Investors (FDIs), bringing new technology and know-how, new management cultures and new operational standards and skills to the Oblast and its economy
- Continuously focussing on reducing input costs to the economy, e.g. improving energy efficiency, infrastructure, the health level and life expectancy of the population, etc.

Reducing input costs also means a legal-based society with clear laws and transparent rules of the game, easy procedures for dispute resolution and a reduction of bureaucracy and corruption, etc.

Innovation and Modernisation have really become buzzwords in Russia. We have seen a number of initiatives both at Federal level and in several oblasts which support and facilitate innovation and modernisation. They all require some type of innovation system.

Some of the actors in an innovation system are: Oblast governments, universities, technical research institutes, technical consultancy companies, incubators, techno parks, and high value-adding Small and Medium-sized Enterprises (SMEs), and entrepreneurs.

A regional or national innovation system means a systematic approach to making the flow of customer demands, new technology and information among people, enterprises, clusters and institutions interact in order to transform an idea into a product or service saleable in the market.

The challenge is to find efficient ways to formulate and present good ideas, to select those with the highest potential, to get sound financing for their development and to hire the right people to take the product or service to the market. Important actors in innovation systems are, apart from those that have been mentioned, the following:

- **Customers**, demanding new products and services. These are the prime driving force of all successful innovation systems.
- **Private venture investors** – These play important roles as financers, but also support new companies by finding customers, advising the management on financial and economical issues, etc.
- **Clusters**, as a possibility to create synergy between companies, incubators and Techno Parks and to increase the possibilities for making joint business due to wider product offerings.

"Market Pull": The idea for a new product is generated in the market, often via demands from customers, and is then relayed through the system, ending up as a new product on the market.

"Technology Push": The idea for a new product comes from scientific research in universities and is for example developed in technical research institutes, incubators and Techno Parks to form a new company.

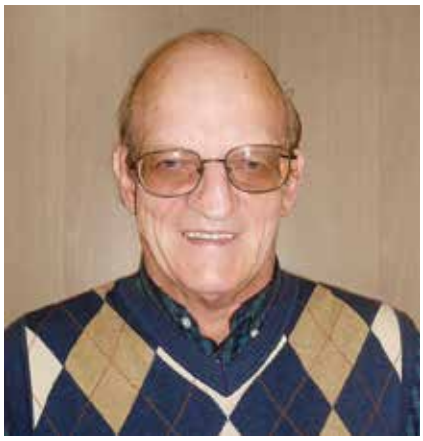
There are of course a number of other possibilities, where ideas from the market result in starting of new companies via incubators or directly by existing companies. Efficient innovation systems are flexible and can guide new ideas in the best direction, depending on the nature of the idea.

Some crucial efficiency factors in an innovation system are:

- It must be able to handle both "Market Pull" and "Technology Push" ideas.
- It must also have arenas and meeting places where ideas can come together with entrepreneurs and venture capital in a stimulating environment
- It must be able to interest scientists and researchers in commercial thinking and to engage them in building new companies.
- It must have mechanisms for continuous evaluation of progress of the idea and the potential for delivering high value-added SMEs.
- It must be able to support the entrepreneurs and venture capital investors and other parties needed to form new companies, e.g. legal and Intellectual Property Rights (IPR) assistance.

A number of Russian oblasts have started improving their economic development following the approach outlined above. Russia has many highly skilled scientists, researchers and engineers and Russians are in general technology lovers. It should therefore not be a surprise that we often see too much focus on "technology push" and too little focus on "demand pull". However, in order to harvest the full benefits of supporting modernisation and innovation, more has to be done to ensure that "demand pull" also works.

Transformative Technologies



ART FRANCZEK
President, American Institute of Business and Economics in Moscow

We live in the age of new technologies that transform and innovate our lives on every level. Big Data and Cloud collect, analyse and store data from other technologies such as social media, radio-frequency identification (RFID), smartphone and others. There is no strict definition of Big Data. Initially the idea was that the volume of information had grown so large that the quantity being examined no longer fitted into the memory that computers use for processing, so engineers needed to revamp the tools they used for analysing it all. New processing technologies like Google, Yahoo and other search engines allowed one to manage far larger quantities of data than before, and that data did not need to be placed in tidy rows or classic database tables. The evolution of Big Data created predictive models that were far more precise because it allowed the use of greater amounts of data than previous methods. Big Data's precise predictive methods can be applied to many areas such as health, business, energy, and logistics to improve efficiency and optimise costs. Cloud computing is generally defined as a model for enabling convenient network access to a shared pool of configurable computing resources (i.e. networks, servers, storage, applications and services) that can be rapidly procured at reasonable costs based on usage. Cloud computing reduces the need for capital expenditures and transforms IT expenses from fixed to variable costs.

In 2007 300 exabytes (one billion gigabytes) of data of stored data were estimated to exist of which 7% was analog (paper, books, photographic prints , and so on.) Digital data expands quickly, doubling a little more than every three years. By 2013 it is estimated that the amount of stored data in the world was around 1200 exabytes, of which less than 2 percent is non-digital. The speed and volume of Big Data have prompted some analysts to use readily available data to make real-time "nowcasts" ranging from purchases of autos to flu epidemics to employment/unemployment trends in order to improve the quality of policy and business decisions. The Billion Price (BPP), launched at MIT collects more than a half a million prices on goods and generates reports that are more accurate and timelier than official statistics. Big Data is also being used by businesses in budget forecasting, reducing costs and improving profitability.

The Harvard Business Review describes how the Bosch Group has embarked on a series of initiatives across business units that make use of data and analytics to provide so-called intelligent customer offerings. These include intelligent vehicle-charging infrastructures, intelligent energy management, intelligent security video analysis, and many more. To identify and develop these innovative services Bosch created a Software Innovations group that focuses heavily on Big Data analytics and the "Internet of Things".

Big Data is being used by businesses in budget forecasting, reducing costs and improving profitability

Schneider Electric was originally a company that manufactured iron, steel and armaments. Today it focuses primarily on energy management, including energy optimization, smart grid management and building automation. It has acquired or developed a

variety of software and data ventures in Silicon Valley, Boston and France. Its Advanced Distribution Management System, for example handles energy distribution in utility companies. ADMS monitors and controls network devices, manages service outages and dispatches crews. It gives utilities the ability to integrate millions of data points and lets engineers use visual analytics to understand the state of the network.

UPS is another company that makes extensive use of Big Data. It captures information on the 16.3 million packages that it delivers each day, and it receives 39.5 million tracking requests a day. The most recent source of Big Data at UPS is the telemetric sensors in more than 46,000 company trucks, which can track metrics including speed, direction, braking, and drive train performance. The waves of incoming data not only show daily performance but also are informing a major redesign of drivers' routes. That initiative, called ORION (On Road Integrated Optimization and Navigation). It relies heavily on online map data and optimization algorithms and will eventually be able to reconfigure the drivers' pickups and deliveries in real time. In 2011 it cut 85 million miles out of drivers' routes, thereby saving more than 8.4 million gallons of fuel.

Microsoft, a company with a large Russian presence, has a business strategy that encompasses all the latest technologies such as Big Data, Cloud Computing and mobile devices. A big part of Microsoft's strategy is to integrate all these technologies so that they work seamlessly with each other. Its Cloud services in Russia save the client about 50% on IT costs. Microsoft's Link that provides video conferencing saves companies significant amounts of money on travel expenses. Microsoft believes that there will be 50 billion mobile devices in the world by 2020 , so they are quite optimistic about the future of technology. Recently at the Moscow Open Innovations Forum innovations exhibits such as Big Data, Energy Efficiency technologies, The Internet of Things, Disruptive Innovations, A Hyper Connected World and many others were

displayed. The Internet of Things refers to how physical objects such as machinery, shipments, infrastructure and devices are connected to each other by some electronic device. One of the biggest applications employs RFID to track the flow of raw materials, parts, and goods through production and distribution. These tags emit a radio signal that can be used to pinpoint their location. So, for example as a tagged product moves through a factory, computers can track where it is at any given moment. Using that information, the company can spot bottlenecks, managing the timing of the release of more parts into the system, or schedule trucks to pick up finished goods. RFID tags on containers and boxes are used to track products as they make their way through transportation hubs to store shelves and when used on packaging, and even all the way to the consumer. Tracking these flows gives companies the opportunity to tighten supply chains and avoid stock-outs or the production of too much inventory, with a detrimental effect on profitability. RFID tags are also used in toll-collection systems, monitoring traffic flow and on toll roads and bridges. Early in 2013 Moscow began using RFID sensors to control truck traffic into the city. Russia is one of the world's fastest growing markets for RFID sensors.

Digital data expands quickly – doubling a little more than every three years

Fed Ex now offers a program that allows customers to track the progress of packages almost continuously by placing a small device into the packages. These devices contain both a global positioning system to monitor temperature, humidity, barometric pressure and light exposure which is critical to cargo such as biological samples.

Several years ago Wal-Mart required all of its suppliers to attach RFIDs to their products. These RFIDs send information to dispatchers on how much product is on each shelf and when the shelves need to be replenished. They can provide great value in at least two areas. First they can eliminate the loss of sales from stock-outs and they eliminate the need for Wal-Mart employees to continuously check inventory level. Wal-Mart estimates a cost savings of $8 billion dollars annually since it implemented its RFID system.

The World Economic Forum envisions the widespread use of a logistics system called TATLO – Tracking and Transparency-based Logistics Optimizer. With TATLO the whole supply chain is tracked, from producer to logistics provider to wholesaler and retailer and to the end consumer. The whole logistics process is significantly leveraged by the use of Big Data and Cloud Computing and has the potential of generating huge cost savings.

Big Data, Cloud Computing and the Internet of Things are transforming the way we do business and are driven mainly by the need for cost optimization. Examples, books and reports supporting this conclusion are far too numerous to discuss in this short article but they are there and this transformation is accelerating and unstoppable. The future belongs to those who are agile and adaptive to this trend.

Creativity is a symptom, not a cause of innovation

MARCUS GUEST
Managing Partner, Narrative Insights

Innovation drives civilisation: electricity and indoor plumbing accelerated urban living; steamships, trains and automobiles connected population centres as trading partners; and the internet and GPS built into your phone connect and drive the modern global economy. Unsurprisingly perhaps, there isn't a progressive nation, organisation or even department that doesn't strive today to be more innovative and reap the attendant rewards. But if innovation it is so important, why are so many so bad at it?

Typically, when an organisation adopts a new innovation strategy it starts by gathering new ideas from its people, in the mistaken belief that creativity leads to innovation. As these ideas surface, the organisation with no culture of innovation nor the requisite infrastructure to commercialise them quickly finds its day-to-day operations becoming overloaded: decision-makers tasked to sift the wheat from the chaff get bogged down trying to "pick winners", often failing to understand the context in which the idea was shared, or even if there is a real need for it or not.

Worse invariably follows – something often overlooked by senior management. As their latest innovation effort grinds to yet another ignominious halt (it's usually not the first) the knowledge workers, especially "Millenials", who shared their ideas – ones they were quite attached to – start to learn that their organisation is not the exciting, innovative place they crave to be part of. Like the myopic organisation that builds its new flagship HQ on the eve of a downturn they didn't see coming, these organisations only highlight their own short-comings, suffer spikes in staff turnover, and are sent scrambling back to the relative safety of the status quo.

Peter Drucker, the management thinker, argued that maintaining the business of today is far too big a task to spend time on creating the business of tomorrow. But taking care of tomorrow is far too difficult to be diluted with concern for today. He concluded that, truly innovative organisations must ring-fence the two: putting the new into separate organisational components to protect (and protect them from) the current business.

This incubator approach has historical credibility. In the late 1970s a leading oil major, aiming to diversify from an exclusive reliance on the petroleum industry, invested in 37 new projects designed to start making this a reality. 19 were managed within the organisation's existing structures and 18 externally, through a form of corporate venture capital (CVC). By the mid 1980s, five of the external CVC projects had gone to IPO, three were sold for profit and a 20-fold increase on initial investment was returned. Of the projects managed internally, none went to IPO, none broke even, and all were eventually written off.

Causes of Innovation

In the film Apollo 13, an explosion on board the spacecraft threatens the life of the three astronauts ("we have a problem, Houston"). The mission leader at ground control gathers his scientists together, draws the planned flight path around the moon on a blackboard, and with a large X marks the point on the homeward journey they will suffocate from carbon-monoxide poisoning. Presenting the scientists with an uninspiring box of objects, that duplicate the only items the astronauts have onboard, he challenges them to turn these into a workable oxygen system: or their astronauts will die.

Hopefully this isn't a spoiler, but the scientists succeeded in delivering "pure" innovation: something brand new to the world that meets a need. Yet, their creativity was an outcome, not a cause, of innovation. Innovation itself, as argued by the complexity expert Dave Snowden, is kick-started by three necessary (but not sufficient) conditions:

1. Starvation of resources (in the Apollo 13 story – oxygen)

2. Pressure of time (fixed deadline)
3. Perspective shift (failure leads to death).

The parallels with the oil major's CVC approach are hopefully clear. Innovation is a mind-set, triggered by external pressures that drive the structural and procedural changes needed to respond effectively. When creativity flourishes it is as a symptom of these changes.

Creativity is not even a critical factor in successful innovation, which explains the correlation between innovation strategies that start with gathering ideas and their failure. Organisations with reputations as great innovators tend not be great creators, but great adapters of pure research that tends to be underwritten by government agencies, usually from the same 20-odd countries (e.g. the internet, GPS and voice-activated personal assistants pioneered by the US military). And nature teaches us that those who adapt best succeed most. The giant Galapagos tortoise hasn't survived for millions of years because of it's superiority, but because it "adapted best to an ecosystem filled with mud, plentiful vegetation and a dearth of mammalian predators."

We reap what we sow

20th century leaders could make strategic decisions based on tangible information about their organisations 'means of production, which were often mechanical, predictable and therefore measurable. Their decisions became the "glue" holding the organisation together. Those employing this modus operandi today – a seemingly viable strategy for highly-successful entities – risk becoming fragile in the face of a more complex operating ecosystem.
Complexity abounds: volatility; new regulatory risk and costs; technology advances; decreasing productivity; emerging markets rivals; disruptive business models; renewed war for talent; and changing consumer profiles. These factors throw down a challenge to respond innovatively, whether we want to or not. Internalising the following heuristics are the first steps to building such capabilities:

Expand time horizons

Kick-starting and harnessing innovation requires addressing the cognitive bias of many decision-makers. Successful leaders can tend to favour the status quo in which they rose to the top; only seeing "evidence" to "prove" that change is not needed on their watch. Such short-term thinking is particularly prevalent in Russia (perhaps understandably) so systematically scanning the horizon, to detect signals of coming opportunities and threats that challenge the hollow safety of consensus, must become part of the organisation's governance process.

Manage for emergence

In stable ecosystems (e.g. "the great moderation") solutions are often obvious and encapsulated in tried and tested best practice. In changing ecosystems (e.g. a growing emerging market) "better is the enemy of good enough" as a myriad of complicated challenges demand swift action. Yet in complex ecosystems – characterised by large numbers; where simple causes have large unpredictable effects; reality evolves and then changes as we engage with it; and hindsight doesn't lead to foresight – leaders must step back, observe, and manage for emergence. Like a grandmaster in chess, a leader in complexity cannot impose his/her own will, so must instead seek to amplify positives, disrupt negatives, build capabilities and stay in the game long enough to exploit opportunities when they arise.

Treat knowledge like the wind

Old habits die hard. Many organisations try to treat knowledge as an asset they can capture or own. Misleading models such as DIKW (data, information, knowledge, wisdom) suggest knowledge is merely the output of generating enough data. Modern complexity science however suggests knowledge is more properly seen as "socially-constructed": as people interact they apply

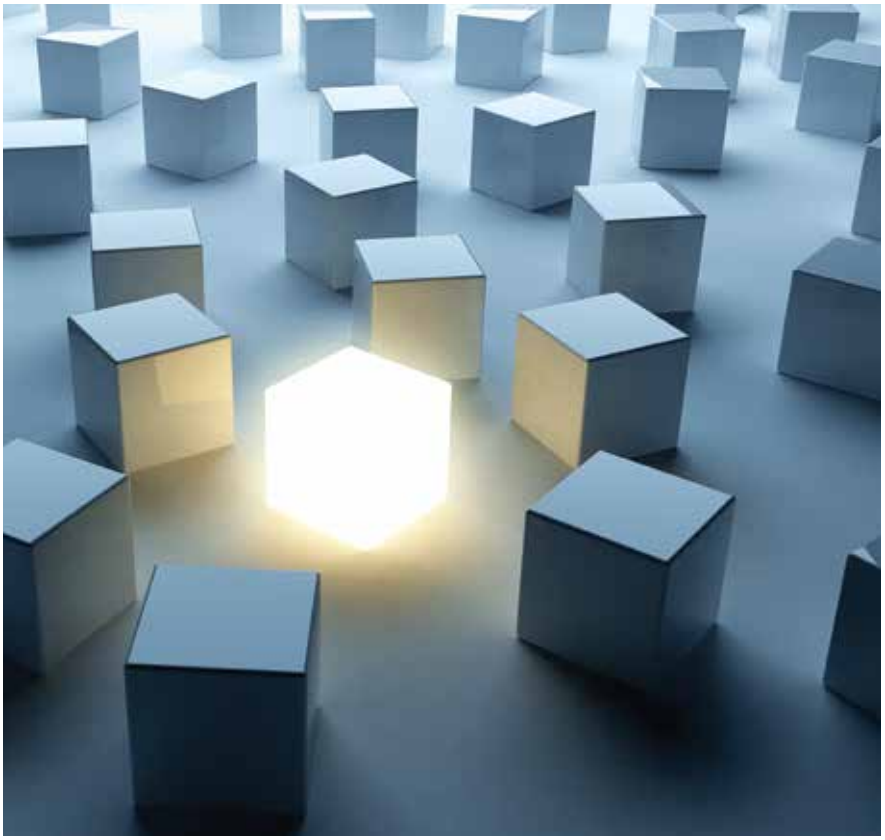
experience-based thinking that turns data into information and information into viable courses of action. Knowledge is therefore more properly seen as the flow of human interactions: it can no more be captured or owned by the organisation than turbines own or capture the wind that turns them.

Tolerate failure

Stories of failure spread quickest amongst human beings as there are more ways to fail than succeed (and success is often serendipitous – making it hard to replicate). Embracing, or even celebrating failure – as one global NGO does in publishing an annual "failure report" – can help people in organisations learn what errors to avoid repeating: a key characteristic of innovation. An anecdote about Thomas Edison is that he failed 1,000 times to develop the first electric light bulb before finally succeeding, exemplifying a "safe-failure" approach to innovation – designing small scale, low risk experiments that provide key learning insights. When challenged by a reporter "how it felt to fail 1,000 times" Edison replied, "I didn't … the light bulb was an invention with 1,000 steps."

Build a "value chain"

Innovation requires an idea, that is tested, then successfully commercialised. It is a process of equally important interdependent steps. Failure in any link in the chain is a failure to innovate. Like Edison's "innovation factory", the quicker ideas are pushed through this value chain the more rapidly innovation is achieved. The much-discussed success of the Toyota Production System is that innovation is not seen as a specialised activity conducted by a particular function, or managed by a top-down hierarchy, but as a way of being, in which everyone is an entrepreneur. The role of the organisation – and also states – is to build a transparent value chain, providing both the support and resources knowledge workers need to innovate: early constructive criticism; conditional financial support; networked expertise; legal IP support; business development advice; and access to clients.



Truly innovative organisations must ring-fence the two: putting the new into separate organisational components to protect (and protect them from) the current business

Confusing creativity with innovation is to confuse cause and effect. Conditions in our ecosystem (scarcity and pressure), if clearly recognised, should stimulate the perspective shift needed in our commercial and governmental leaders to kick-start innovation. Subsequently developing a reputation for innovation will then help attract the knowledge workers who thrive in such environments and push this virtuous wheel around. But unless we start to understand innovation correctly we will, like the man in the Buddhist parable who repeatedly falls down the same manhole, only have ourselves to blame if we keep going down the same path expecting different results every time.

Qualified personnel for innovation-based development in Russia

VERA MASHKOVA
HR Director, ABB

The past year was a crucial one for the Russian Ministry of Education and Science in that the education system as a whole came to the end of a period of transition.

Among the basic documents that have come into effect are a State Programme for Educational System development, a new Federal Law "On Education", which has substantially expanded state guarantees regarding people's rights in the sphere of education, and edicts of the President, which have elaborated on the main targets for the medium-term and long-term development of educational system. Up to 2020 the recently promulgated documents will influence today's senior pupils in their schooling, higher education and employment. But will these documents and planned changes really satisfy the demands of the market?

Today's conditions of fierce competition raise employers' demands. They not only want to employ graduates with some professional competencies, they also pay attention to personality characteristics, such as the ability to take responsibility and lead a project, as well as the desire of employees to enhance their professional level and be ready for new challenges. Companies are not just interested in graduates, they are looking for a new generation of professionals who can "add value to the business and make difference".

Taking this situation into consideration the role and objectives of higher education institutions have to be changed. Graduates need to master actual trades and professions, while the higher education system has to monitor the dynamics of professions in both local and global markets and teach students about the most promising professions in order to support economic growth and modernization. The proficiency of a graduate who has finished university and got a professional job should not be lower than the market average. University should provide more advanced and innovative knowledge and experience than work does. It's bad when a student faces the dilemma of whether to spend 5 years at a university and pay for that or just get the same knowledge and experience at work, where he does not have to pay but is instead himself paid. As of today, a specialist who works in his field usually has better qualifications, which means that we must help students by teaching them about the latest developments in industry.

In an innovation-driven economy, the quality of young specialist training is highly dependent on the ability to establish and promote partnership between higher education institutions and leading companies. Without close interaction with business, such ambitious plans are impossible to implement. Positive impacts from such partnerships are already seen in the West, and are being introduced to the Russian market by the majority of multinational companies.

A working group on innovation development at the Foreign Investment Advisory Council (FIAC), together with the Ministry of Education and Science, carried out and analysed surveys. Among the universities that have gained positive experience in interacting with international companies are the following: Lomonosov Moscow State University, South Ural State University, Tyumen State University, Moscow Power Engineering Institute, and the Far Eastern Federal University. 30 out of the 48 company members of FIAC already collaborate with 21 Russian universities and look forward to more such cooperation in the future.

Taking this situation into consideration, company members of the working group on innovation development at the FIAC and the Ministry of Education and Science suggest a series of measures aimed at increasing the supply of qualified specialists. These include: interaction with business and the preparation of recommendations to update the regulatory and legal framework; inviting representatives of business to join working groups developing educational standards; inviting universities to contribute to the activities of engineering centres; holding joint scientific forums and conferences; and establishing joint departments and other structural subdivisions aimed at providing practical training at companies' facilities.

ABB also has extensive international experience of such interactions. All over the world, the company works with leading universities to develop new technologies. That opens many doors for talented researchers who wish to pursue academic careers in business. The ABB Global R&D Lab has 9 programs focusing on automation and power, ranging from control and communication technologies to switching technologies and power electronics. Each program devotes time to our university partners, and equips them with our latest products and services to help us create the breakthrough technologies of tomorrow. One of the interesting example is ABB Research Grant Program: we sponsor promising graduate students and senior researchers in projects focusing on industrial applications of power and automation technologies that save energy and improve people's lives.

No doubt that international companies are eager to collaborate with universities and are prepared to share their experience.

In conclusion I believe that the coordinated steps taken by the Ministry of Education and Science and the company members of the FIAC will raise the level of higher education in Russia, and make it possible for Russian universities to enter the list of top universities world-wide. And, what is more important, such steps and collaboration will help to meet market expectations so that Russia's universities will be able to prepare young professionals with a new set of professional skills to support the innovation-based development of the country.

Electric vehicle market in Russia: Dynamics, Trends, Forecasts

ANDREY PANKOV
CEO, MMC Rus; Chairman of the Sub-Committee on Strategic Innovation in the Car Industry, RF Chamber of Commerce and Industry

A crucial development in the sphere of energy efficiency, the electric vehicle market in Russia, started in October 2011 with sales of the first certified electric vehicle in Russia, the Mitsubishi i-MiEV. The first steps were made from scratch. We had to deal not only with certification and other related issues, but also to shape public opinion which, as we now know, was not ready to welcome this revolutionary leap in the automotive sector.

During the past two years, the situation has changed significantly. Electric vehicles (EV) are being sold in 20 Russian cities. The infrastructure is developing: JSC Russian Grids, the largest Russian and worldwide energy company, has started introducing the "National program of the EV charging infrastructure development."

Today Russia, along with Norway and Spain, is one of three European countries who are the leaders in sales of the Mitsubishi i-MiEV (the one officially sold in Russia), leaving Germany and Switzerland behind in sales of 2013. And this despite the fact that there a state program exists to support electric transport which allows one to buy an electric vehicle at a discount price, not to pay the annual road tax, and be able to use the traffic lanes for public transport and toll areas.

That market dynamics are not typical for an oil- and gas-producing country and are determined by the need to solve the problem of energy efficiency, which is behind the economic crisis in all countries, including in Russia.

Today's agenda is reducing energy losses, improving the reliability of power supplies, cutting public expenditure on electricity and reducing the power grid wear by solving the problem of energy peaks.

One of the power grids' main problems is the two pronounced peaks of power consumption, in the morning and in the evening. This irregularity is detrimental to power generation.

The problem can be solved with a symbiosis of the energy and automotive industries. Night-time consumption should be increased to balance power differences. That is why energy devices that can accumulate energy at night and release it in the afternoon are implemented in the Smart Grid. Power engineering specialists believe that electric vehicles, which are charged by usual outlets, may perform the same function of increasing night-time electricity consumption. This means that a certain number of electric vehicles plugged at night will act as powerful energy storage devices. For this situation to make a meaningful difference we need a large number of electric vehicles.

Today's agenda is reducing energy losses, improving the reliability of power supplies, cutting public expenditure on electricity and reducing the power grid wear by solving the problem of energy peaks

For example, in Moscow where it is forecast that the number of cars will reach 5 million by 2015, it will be sufficient if 1.5 percent of vehicles are electric. EV recharging at night will solve the problem of energy peaks and will reduce the differences in power grid stresses. EVs will not only be able to take power, but also give it away, as owners will be able to accumulate energy at night at cheap rates and then sell it at a higher rate during the daytime, thus becoming active participants of the electricity market.

To make this happen, two things need to be done: cut the cost of the electric vehicles and develop EV charging infrastructure. A car owners' survey conducted by the Sub-Committee of Strategic Innovations in the Automotive Sphere in Russia as part of the Moscow International Motor Show in 2012 showed that 90.2% of respondents were willing to switch to electric vehicles if the necessary charging infrastructure were available and the price of electric vehicles reduced.

The price of electric vehicles is directly related to customs duties, so the question of cutting it to zero has been discussed for the past two years. Today, this issue has been resolved. In 2014 the Customs Union will exempt EVs from customs duty. Next year, the price of electric vehicles will be significantly reduced in Russia, and followed by an increase in demand which will give a boost to EV market development as well as EV charging infrastructure expansion in Russia.

For the integrated development of the market, not only car makers need support measures, but also charger manufacturers, charging stations network software developers and the operators of these devices. The power sector requires a number of changes in legislation in order to resolve technical connection and land distribution issues, as well as issues relating to accounting and tax when buying and selling electricity.

According to our projections, by 2020 the electric vehicles' market share could reach 10% of the total number of vehicles sold worldwide. The cost of electric vehicles will steadily decrease with reductions in the production cost of EV batteries, the most expensive item in an electric vehicle.

For instance, in 2009, when Mitsubishi began selling its first-ever vehicle, its battery alone cost more than a conventional hybrid vehicle produced by another Japanese manufacturer. Over the past few years the battery cost decreased by 2.5 times due to the increase in production volumes from 5000 to 40 000 units per year.

According to a McKinsey survey, the cost of batteries used in electric vehicles and plug-in hybrids will decrease by 45% by the end of the decade, and the cost of the vehicles themselves will fall by 30-40%.

In addition to the price decrease, we expect that a common charging devices standard will emerge and, most importantly, the psychology of consumers will change. Electric vehicles and their charging systems will cease to be exotic and become normal parts of our daily life.

INNOVATION – the key to Europe's Golden Age of Gas

WIM GROENENDIJK
Vice-President International Affairs and Regulation, Head of Representation in Russia, N.V. Nederlandse Gasunie

EKATERINA KRAVETSKAYA
Deputy Head of Representation on Finance/Senior Project Manager, N.V. Nederlandse Gasunie

The Golden Age of Gas predicted by the International Energy Agency seems to be taking shape everywhere but in Europe. Gas demand in the EU has been declining in recent years, partly due to the economic downturn but also because gas is being pushed out of the power generation portfolio due to the introduction of subsidised renewables and cheap coal in the context of low carbon prices. Gas is perceived as expensive and, while it is cleaner than most other fuels, still a fossil fuel. We seem to be a long way from the time when gas was the fuel of choice in Europe, which would almost sell itself on the basis of its superior environmental qualities and competitive pricing.

The EU is on a pathway towards a more sustainable energy supply. Gas can help achieve this transition at a minimum cost to society. Why is it important to minimise cost? Because if less is being spent to achieve the same goals, money is left to spend on other things that society finds important—healthcare, education, security, industry competitiveness to name but a few. Recent studies have shown that by using gas as the basis for the energy transition, EU emission targets can be achieved at a much lower cost than is being achieved at the moment. Of course the cheapest energy is the energy you do not use and by focussing on energy efficiency we could avoid the emission of CO_2 at zero or perhaps even negative cost. By replacing coal by gas in power generation we would spend some €50 to avoid emitting one tonne of CO_2. Yet, at present, outside the ETS we are spending some €300 to avoid the emission of that same tonne of CO_2. Six times more! Some people still think that coal is cheaper than gas. In the total picture it is not. By replacing coal by gas we could spend six times less than what we are spending now!

If it were only a question of adding the numbers, getting gas back into the energy mix would not be so difficult. But something more is required. To put gas back on the map in Europe, now more than ever, the gas industry needs to consider its added value, i.e., what the gas industry can contribute to the transition towards a future energy supply. Clearly, gas has a lot to offer and innovation is key to its future success. We believe that gas and gas infrastructure can and will need to reinvent itself in terms of the role it plays in the energy system. This should be done by looking at the energy system from a much more integrated point of view, no longer looking at the gas sector in isolation from the electricity sector, no longer at renewable energy sources as a problem, but as a fact of life. This should result in consistency between competitiveness, climate and energy objectives and create a level playing field in which various low-carbon energy sources can compete, delivering a sustainable energy supply at low cost. Natural gas, with its low carbon content, can contribute, but to remain a part of the energy system more needs to be done.

First of all, gas can "green" itself. For example we can add biological sources of gas–green gas–from fermentation

or gasification of organic products or waste. There is a large potential for the production of green gas in the near future and a growing (premium) market for it in Europe. Unlike renewable electricity, it does not require billions of euros of investments in new infrastructure to bring it to the market as it can be transported through the existing gas infrastructure. Green gas makes sustainable heating, showering and cooking possible and combines that with all the convenience offered by a gas connection. More and more people are choosing cars that run on green gas and driving sustainably on green gas is a real possibility in western Europe. In the future, it will be possible to scale up the production of green gas by converting biomass via gasification technology. This is by far the most efficient way of using biomass. Gasunie, together with Gazprom and two other partners, is investigating the feasibility of developing the production of green gas inside the Russian Federation to be sold to the EU using a system of international certification.

The Power-to-Gas concept (P2G) is another innovative example of "gas from renewables". In this highly promising technology, electricity from renewable sources is converted to hydrogen or methane, which is then added to the gas supply. This is up to 20 times as efficient as transporting electricity and offers a viable solution for the so far intractable problem of storing intermittently supplied renewable electricity.

Secondly, gas can find new applications. For example, it can make a huge contribution to cleaning up the environmental impact of the transport sector. Liquefied natural gas (LNG) can be used as a fuel for ships or heavy transport and compressed natural

gas (CNG) in buses, garbage disposal trucks, taxis etc. Vehicles running on LNG or CNG produce less CO_2, emit no sulphur compounds or fine particulate matter, and are much quieter—all of which is important in densely populated areas. Small-scale LNG projects also involve innovation. With small-scale LNG, the LNG is not regasified but instead leaves the terminal in liquid form in small volumes. This LNG can be used for industrial purposes or as a fuel for shipping or road transport, or be fed into smaller, isolated gas networks, making the benefits of gas available more widely.

Thirdly, if we apply a more system-oriented approach to our energy supply there is a lot to be gained. Gas can be converted to electrons, electrons can be converted to gas, gas can be cooled to LNG or vice versa, wind and sunshine can be converted to electrons, biomass to gas or electrons and so on. What is important in the end is how do we get energy from where it is produced, in whatever shape or form, to where it is needed, with minimum impact on the environment and at minimum cost. In the end, all the installations we use in the process of converting or moving energy are part of an integrated infrastructure, including pipelines, cables, storages, converters, transformers, LNG import terminals, small-scale LNG liquefaction installations, P2G facilities and gas-fired power plants. Perhaps in the future this infrastructure can and will also be operated by energy infrastructure companies, who do not own or control the electrons or molecules produced but sell capacity in these installations to whoever needs them on the basis of open access. Such innovative business models may help optimise available capacity and offer the service at minimum cost.

In conclusion, for gas to realise a Golden Age also in Europe, applying innovative approaches is key. New technologies, new applications for gas and innovative business models will help demonstrate and realise the important role that gas can play in achieving an energy system in Europe that fulfils all the necessary policy goals and achieves these goals in the most efficient and cost-effective way. The gas industry has work to do!

Life science to make a revolution in treatment of life-threatening diseases

VITALY PROUTSKY
RDI Head of AstraZeneca Russia

If we look at the methods of treatment of many diseases that kill or disable thousands all over the world, we will see that modern medicine has reached a point beyond which life expectancy and quality cannot be further improved using traditional technologies. In the past, immunologic prophylaxis, antibacterial therapy and anaesthesia made revolutions in medicine. Within the next few years, biomedical technologies have the potential to make another revolution by solving the most topical issues of modern healthcare, such as the high mortality rate from oncological and cardiovascular diseases or increased antibiotic resistance.

Personalized medicine: treating the patient, not the disease

Today, one of the most promising areas of biomedical science is the development of personalized medicine. Personalized medicine is a medical model in which representatives of a sub-population are classified on the basis of a unique or outstanding sensitivity to a certain disease or a reaction to a certain method of treatment. The principle of treating a person, rather than a disease, has been known since the times of Hippocrates. However, over the past decade, due to the development of new molecular technologies and data analysis methods, it has evolved as a new direction in medicine that, experts believe, has enormous potential for the health-care and pharmaceutical industries.

Personalized medicine has substantial advantages for both patients and the economy, as it not only significantly improves the effectiveness of treatment, but also allows for more effective distribution of resources, for example by shifting focus to individuals with genetic defects that predispose them to cancer development or to those who are most likely to derive benefits from treatment. Thus, the use of chemotherapy could be reduced by 34% if breast cancer patients took a genetic test before starting their treatment. If patients suffering from metastatic colo-rectal cancer go through KRAS testing before the therapy, health expenditure in the US will decrease by $600 million per year because expensive and not always safe treatments would not be given to patients who cannot benefit from them. Another example of value that personalized medicine may bring is the discovery of EGFR mutations, which affect about 6-7% of lung cancer patients in Russia and make tumours particularly sensitive to tyrosine-kinase inhibitors. Thus, personalized medicine makes it possible to select the patients who will benefit from a drug and to use available health-care resources in the most effective way.

Targeted therapies for better efficacy

Cancer cells have only small differences from the healthy cells in the body, so it is very challenging to develop treatments that kill the tumour cells without also affecting healthy cells, thus leading to potential major toxicities. Nanoparticle technology is showing great promise in directing small therapeutic molecule payloads straight to tumour cells with the aim of maximizing the effectiveness of treatments while minimizing the likelihood of off-target side-effects. The majority of the therapeutics used to treat cancer are small molecules. When small-molecule drugs are administered they immediately distribute very widely throughout the body and thus hit not only targets in cancer cells, but also targets in healthy tissues where they can cause toxicity. The ratio of efficacy to toxicity is one of the most important aspects of treating patients effectively.

Partnership is essential to further development of biomedical research

Further biomedical research will require significant investment. In Russia, however, only 3% of the budget allocated to science from the financing of the Russian Academy of Science and Russian Academy of Medical Science goes to medical science. In 2013, it amounted to around 1.5 bln roubles. Due to insufficient funding, Russian life scientists are becoming less active. Thus, according to the Acta Naturae magazine, over the last decade, the volume of Russian publications devoted to various aspects of biomedicine in peer-reviewed scientific journals, has fallen by nearly half, while all over the world biomedical science is developing dynamically.

One of the possible solutions to the problem of insufficient funding of biomedical science is the development of various partnerships among academia and companies in the biopharmaceutical market: pharmaceutical and biotechnology companies, venture investment funds and government organisations. In this way new ideas can be transformed into innovative medicines that have a potential of making meaningful difference to patients.

Due to insufficient funding, Russian life scientists are becoming less active

Russia has a very high potential in the field of biomedical science whose development is essential to finding effective solutions to the most serious diseases of the present day. What stands in the way of development is lack of investment. In this context, the role of partnerships among different players – the big pharma, academia, biotechnological companies, venture investment funds and government and non-commercial organizations – should not be underestimated.

AEB News

Change of AEB's Visual Identity

From 1 January 2014, the Association of European Businesses adopted a new corporate logo.

The new logo replaced the one that was introduced in 2007. It consists of a blue sign with white letters "AEB" surrounded by yellow stars and, in Latin script, "The Association of European Businesses". The logo references the European Union through the use of yellow stars and in the colour of the background. At the same time, it stresses the AEB's open and vibrant nature.

Moreover, the AEB changed its slogan "Quality information. Effective lobbying. Valuable networking." To "Connective. Informative. Effective."

Annual Strategy Meeting

On 23 January 2014, AEB held its Annual Strategy Meeting. The brief results and achievements of 2013 were summarized by Reiner Hartmann, Chairman of the AEB Board. Among them were the stabilization of AEB's membership; strengthening the role of the Council of National Representation; establishment in 2013 of several new sub-committees and working groups within the existing AEB Committee structure. Regional development remained high on AEB agenda: several business missions to the regions as well as presentations of the regions were organized in 2013. Traditionally, the AEB Annual Strategy Meeting generates new ideas and shows new ways for further strategic development of the AEB in the current year and the years to come.

L-R: **Reiner Hartmann**, Chairman of the AEB Board; **Olga Bantsekina**, Chief representative, Coleman Services UK, Chair of the AEB HR Committee, Deputy Chair of the AEB Board; **Gerald Sakuler**, Deputy Chair of the AEB Board

Members of the AEB Board, CNR, Auditing Commission as well as chairs of AEB Committees discussed AEB strategy for the year to come.

AEB Press Reception

On January 30, 2014 the AEB held its 7th Annual Press Reception.

The event took part at the Mamaison Hotel in Moscow. This event was an unique opportunity for media representatives to meet with the AEB Board and Committees Chairpersons in a relaxed and inviting atmosphere.

Over the past few years the AEB is being known as a very open source of first-hand information regarding business environment and investments in Russia.

L-R: **Reiner Hartmann**, Chairman of the AEB Board; **Frank Schauff**, CEO of the AEB

Round Table: AEB-Skolkovo Partnership

On 30 January, for the third time members of the AEB met with representatives from Skolkovo.

The Round Table "AEB-Skolkovo Partnership" organized by AEB Machine Building & Engineering Committee and the AEB Working Group on Modernization and Innovation facilitated the discussion of what it really means to be Skolkovo's foreign partner. The meeting was chaired by Philippe Pegorier, Member of the AEB Board, Chairman of the AEB Machine Building and Engineering Committee, President Alstom Russia and Mikhail Akim, Chairman of the AEB Working Group on Modernization and Innovations, Director of Strategic Development, ABB Russia.

Skolkovo was represented by Vasily Belov, Senior Vice-President of the Skolkovo Foundation for Innovations; Alexey Ponomarev, Vice-President for Industrial Cooperation and Public Programs, Skoltech, as well as Alexander Adadurov, Chief Investment Officer, LLC UDAS Skolkovo.

The AEB partners gave a general overview of the Skolkovo project and led the discussion on the possibilities for cooperation which proved to be lively and informative. Besides that, representatives of the AEB members (Martin Gitsels, Head of Corporate Technology Department, Siemens Russia and Dmitry Shulga, Vice-President, Governmental Affairs & External Relations, Schneider Electric) shared their companies' experiences as residents of Skolkovo. The meeting provided a unique opportunity to get first-hand information and will certainly give encouragement to some of the AEB members to join their colleagues from Alstom, Schneider Electric and Siemens in this new experience.

L-R: **Martin Gitsels**, Head of Corporate Technology Department, Siemens; **Dmitry Shulga**, Vice-President, Governmental Affairs & External Relations, Schneider Electric; **Alexey Ponomarev**, Vice-President for Industrial Cooperation and Public Programs, Skoltech; **Vasiliy Belov**, Senior Vice-President for Innovations, Skolkovo Foundation; **Philippe Pegorier**, Member of the AEB Board, Chairman of the AEB Committee on Machine Building and Engineering, President Alstom Russia, and **Michael Akim**, Chairman of the AEB Working Group on Modernization and Innovations, Director for Strategic Development, ABB Russia

AEB Talks on Russian Economy: "What is to be done to turn around the Russian economy? Forecasts and Perspectives for 2014"

On 4th February 2014, a new event format "AEB Talks on Russian Economy" was launched.

To mark it, well known and highly appreciated speakers were invited: Evgeny Gavrilenkov, Managing Director and Chief Economist at CJSC "Sberbank CIB" and Sberbank Investment Research; Christopher Weafer, Senior Partner and Co-Founder, Macro Advisory Ltd, and Vladimir Andrienko, Managing Director of Russia Partners.

They discussed an important promising topic: "What is to be done to turn around the Russian economy? Forecasts and Perspectives for 2014". Having presented a varied and multi-faceted picture of the current situation, the panellists answered the questions of the audience.

The event was skilfully moderated by Stuart Lawson, EY, the AEB Finance and Investments Committee Chairman, giving to each of the panellists the equal possibility to talk and answer the questions of the audience.

L-R: **Vladimir Andrienko**, Managing Director of Russia Partners; **Christopher Weafer**, Senior Partner and Co-Founder, Macro Advisory Ltd; **Stuart Lawson**, EY, AEB Finance and Investments Committee Chairman; **Evgeny Gavrilenkov**, Managing Director and Chief Economist at CJSC "Sberbank CIB" and Sberbank Investment Research.

Investment Potentials in North-Western Region: Presentation of Pskov and Vologda Region

On 26 February 2014, the AEB North-Western Regional held an open event in St. Petersburg on Investment potentials in North-Western region: presentation of Pskov and Vologda region.

During the event the delegations from the mentioned regions, headed by Alexey Kozhevnikov, Vice-governor of Vologda region and Andrey Mikheev, Chairman of the State Committee on Economic Development, Industry and Trade of Pskov Region, presented the investment potentials of the regions as well as current and potential investment projects.

The meeting was kindly hosted and supported by the Consulate General of Finland in St. Petersburg. The participants were welcomed by the Consul General of Finland, Pirjo Tulokas and the AEB COO, Ruslan Kokarev. Also, the Deputy Head of the Mission of EU Delegation in Russia, Sven-Olov Carlsson welcomed the participants and provided a brief overview on EU-Russia cooperation in 2014.

L-R: **Andrey Mikheev**, Chairman of the State Committee on Economic Development, Industry and Trade of Pskov Region; **Alexander Perfilyev**, General director of OJSC "Corporation of the Vologda region development"; **Ruslan Kokarev**, COO AEB; **Timo Mikkonen**, Chairman of the AEB North-Western Regional Committee; **Alexey Kozhevnikov**, Vice-governor of Vologda Region (on tribune).

Swedish EuroReception

On 4 March 2014, the AEB held its traditional EuroReception, this time at the Swedish Embassy.

We heartily thank H.E. Veronika Bard Bringéus, the Ambassador of Sweden in the Russian Federation, for having kindly hosted this high-level and lively event which was organized with the generous help and assistance of several company members of the AEB, namely:

The gold sponsor of the EuroReception Volvo placed its stylish cars in front of Swedish Embassy.

Gold Sponsor

Silver Sponsors

L-R: **Frank Schauff**, CEO, AEB; **H.E. Veronika Bard Bringéus**, the Ambassador of Sweden in the Russian Federation

Guests at the Swedish EuroReception

Briefing by Eric Peters

On 6 March 2014, The AEB had a Briefing by Eric Peters, Adviser, Bureau of European Policy Advisers (BEPA) to the President of the European Commission, "2014 – Pivotal Year For Europe".

During the event, Eric Peters spoke about international and economic issues and key general trends to 2030. The event was co-chaired by Frank Schauff, Chief Executive Officer, AEB and Philippe Pegorier, Member of the AEB Board, President Alstom Russia.

L-R: **Philippe Pegorier**, President Alstom Russia, Member of the AEB Board, **Eric Peters**, Adviser, Bureau of European Policy Advisers (BEPA) to the President of the European Commission, **Frank Schauff**, AEB CEO

Briefing by Richard Burger: "Horizon 2020 – Opportunities and Mechanisms"

On 17 March 2014, the AEB held a Briefing by Richard Burger, Research & Innovation Counsellor, Head of Science & Technology Section, Delegation of the European Union to the RF organized by the AEB Working Group on Modernization and Innovations.

Richard Burger, Research & Innovation Counsellor, Head of Science & Technology Section, Delegation of the European Union to the RF

The Event titled "Horizon 2020 – Opportunities and Mechanisms" continued the discussion raised by EU Commissioner Máire Geoghegan-Quinn in November 2013 and provided detailed information on the EU financial instrument Horizon 2020. Special focus was made on the opportunities for companies operating in Russia to participate in Horizon 2020 and in its projects.

The Briefing was chaired by Michael Akim, Chairman of the Working Group on modernization and innovations. The Event took place with the participation of Irina Kuklina, Executive Director of the International Centre for Innovations in Science, Technology and Education who briefed on the EU-Russia Year of Science 2014 and possibilities for AEB companies to participate in the Year of Science. The Association of European Businesses actively participates in the implementation of the EU-Russia Year of Science 2014.

AEB Mission to Brussels

The Association of European Businesses visited the European Union (EU)'s institutions on 18-19 March 2014 during its traditional yearly visit to Brussels and presented to the leadership of the EU the position of the European investors in Russia on the current situation between the EU and Russia.

L-R: **Don Scott**, General Director, OPIN Consulting Limited, Chairman of the AEB Council of National Representation; 2 members of Commissioner Oettinger's cabinet; **Philippe Pegorier**, Alstom Russia, Country President and General Director, AEB Board Member; **Reiner Hartmann**, AEB Chairman of the Board; Günther Oettinger, EU Commissioner for Energy; **Frank Schauff**, Chief Executive Officer, AEB; **Stuart Lawson**, Executive Director, EY, Chairman of the AEB Finance and Investment Committee; **Olga Bantsekina**, Chief Representative, Coleman Services Ltd., AEB Deputy Chair of the Board; Andra Koke, Head of Economic Section, EU Delegation to the RF.

AEB COMMITTEE UPDATES

Automobile Manufacturers Committee (AMC)

7th Annual Press Conference: REVIEW 2013

On 15 January 2014, the AMC held its 7th Annual Press Conference, REVIEW 2013. Almost 200 representatives of leading media and automobile manufacturers took part in the event.

The main speakers at the press conference were Frank Schauff, AEB CEO, and Joerg Schreiber, AEB AMC Chairman (Mazda Motor Rus LLC). The AMC Chairman announced the sales results for the Russian automotive market in 2013, which amounted to 2.78 million new passenger cars and LCVs, which was 5.5% below 2012. Nonetheless, this was the 3rd highest sales result for the Russian market after 2012 and 2008. Speaking about prospects for 2014, Mr. Schreiber stated that after mixed results during 2013, the majority of the market participants were expecting a more stable pace of business this year with a final result similar or very close to 2013.

One of the main achievements of the Committee in 2013 was the elaboration and adoption by the majority of its members of the Code of Conduct. Highlighting the key issues on the AMC Agenda, the Committee Chairman assured participants that the AMC will continue focusing on the antimonopoly regulations of the automotive sector; amendments to the Consumer Protection Law; government measures on the vehicle disposal fee, technical regulations regarding the safety of wheeled vehicles and the imminent introduction of ERA-GLONASS.

The AEB sincerely thanks the sponsors of the event: Castrol Professional (platinum sponsor); Metlife Alico (gold sponsor); Bearing Point, Continental and Goltsblatt BLP (silver sponsors).

L-R: **Ruslan Kokarev**, AEB COO; Joerg Schreiber, AEB AMC Chairman (Mazda Motor Rus LLC); **Frank Schauff**, AEB CEO

Joerg Schreiber, Mazda Motor Rus LLC, AEB AMC Chairman gave several interviews after the press conference.

Insurance and Pensions Committee

Meeting with Igor Zhuk, Deputy Head, Central Bank's Service for Financial Markets

On 26 February 2014, representatives of the AEB Insurance and Pensions Committee met with Igor Zhuk, Deputy Head, Central Bank's Service for Financial Markets (at the moment – Director of Insurance Market Department, Central Bank of Russia) to discuss current insurance issues and further cooperation with the new regulator. Among the issues discussed were: regulator's plans for the first half of 2014, restructuring in Central Bank's Service for Financial Markets, OSAGO limits and tariffs, electronic insurance policies, insurance assets, curators for insurance companies – to name but a few. Mr Zhuk offered the Committee to meet quarterly and to delegate a Committee representative into the Expert Council on Insurance under the Central Bank of Russia. The Committee will continue dialogue with the Insurance Market Department, Central Bank of Russia.

Health and Pharmaceuticals Committee

Federal Contract System: an impetus to improve the quality of the healthcare and social system

On 29 January 2014, the AEB Health and Pharmaceuticals Committee held an open event: "Federal Contract System: an impetus to improve the quality of the healthcare and social system". The event was chaired by Sergey Smirnov, AEB Health and Pharmaceuticals Committee Chairman, Vice-President of Novo Nordisk. Welcome address was delivered by Frank Schauff, AEB CEO.

The conference provided a unique opportunity to get insights into the special aspects and features of the new Federal Contract System (FCS) of the Russian Federation and the perspectives of its development and implementation. Particular focus was dedicated to the pharmaceutical and medical industry spheres. Representatives of business shared their experiences and expectations relating to the public procurement system in the healthcare sector and described their interaction with the Moscow government on these matters. Specific issues such as possibilities for defining medicines beyond the Essential Drug List were also raised.

The event should encourage further discussion of the challenges and benefits of the new FCS.

L-R: **Sergey Patrakeev**, Counsel, Lidings; **Boris Tkachenko**, Head of IBLF in the RF; **Evgeny Makhortov**, Director Public and Regulatory Affairs, SCA Hygiene Products Russia LLC; **Vassily Gruzdev**, External Affairs and Government Relations Manager, Servier; **Sergey Smirnov**, Chairman of the AEB Health and Pharmaceuticals Committee, Vice-President, Novo Nordisk; **Oxana Alexandrova**, Doctor of medicine, Professor at the Department of the Legal Foundation of the Healthcare System, **I. M. Sechenov** First Moscow State Medical University

HR Committee

Relocation Conference "Bringing Expats to Russia"

The event focused on the main challenges for expats in Russia, the latest developments in the areas of the housing market, corporate relocation policies, the market for hotels and serviced accommodation, and schooling. The second part of the conference was traditionally devoted to recent developments in immigration and labour law influencing terms of employment of foreign nationals in Russia.

The AEB expresses its sincere gratitude to TMF Group, the silver sponsor of the event.

L-R: **Andrey Slepov**, Senior Associate, Head of Employment and Migration Law Practice, BEITEN BURKHARDT; **Gennady Odarich**, Director, PwC Legal; **David Gilmartin**, General Director, Troika Relocations, Chairman of the Relocation Sub-Committee

Real Estate Committee

Pulse of the Real Estate Market in Moscow: 2013 Review and Projections 2014

On 14 February 2014, the AEB Real Estate Committee held an Open Event: "Pulse of the Real Estate Market in Moscow: 2013 Review and Projections 2014".

The event was moderated by Christophe Vicic, AEB Real Estate Committee Chairman, COO of Jones Lang LaSalle. The speakers at the event were Stuart Lawson, Executive Director, EY; Tom Mundy, Head of Research, Jones Lang LaSalle; Maxim Mokeyev, Executive Director, Evans Property Services; Alexandra Sytnikova, Head of Moscow City Master Plan, Committee for Architecture and Urban Planning of Moscow; Boris Bruk, Of Counsel, Dentons.

L-R: **Maxim Mokeyev**, Executive Director, Evans Property Services; **Boris Bruk**, Of Counsel, Dentons; **Christophe Vicic**, AEB Real Estate Committee Chairman, COO of Jones Lang LaSalle; **Tom Mundy**, Head of Research, Jones Lang LaSalle

The conference provided a unique opportunity to get insights into the state of the Russian economy and key macroeconomic indicators, and it gave an overview of the Moscow real estate market, Moscow residential property market forecast for 2014, development of the city of Moscow in the next 2-3 years in terms of architecture and urban planning. Specific issues such as the use of offshore vehicles for real estate acquisitions were also raised.

The event provoked great interest in the media.

South Regional Committee

Visit of the AEB Management to Krasnodar and Rostov-on-Don

On 16 January 2014, the AEB management, represented by Olga Bantsekina, Deputy Chair of the AEB Board and curator of AEB's regional activities, Frank Schauff, CEO of the AEB, and Ruslan Kokarev, COO of the AEB, visited the AEB South Regional Committee.

The further development of the AEB South Regional Committee was the objective of the visit. It was founded in 2003, since when the number of member companies on the Committee has increased five times, and has now reached 40. In the framework of the visit to Krasnodar the AEB management, together with Committee members, met with the Head of Krasnodar, Vladimir Evlanov. The meeting was also attended by the Deputy Head of Krasnodar, Alexander Mikheev, as well as heads of Krasnodar administrative departments.

Vladimir Evlanov remarked upon the long-term, successful cooperation with the AEB and described the development of Krasnodar in recent years, both implemented and currently high-priority investment projects. Frank Schauff, the CEO of the AEB, suggested a number of areas for further cooperation.

After this meeting, the AEB management met with members of the South Regional Committee in the office of the South Sales Direction, the regional office of Knauf Gips Ltd. (Krasnodar).

Committee members spoke about their vision of the development of the South Regional Committee and expressed their views on the necessity of closer cooperation with the AEB cross-sectoral and industrial committees in Moscow.

On 17 January, the AEB delegation met in Rostov-on-Don with the member companies of the Rostov area Subcommittee. The meeting was held in the Directors Club of the Bank Center-invest. Members of the Rostov area Subcommittee discussed development plans and confirmed the significant potential that can be realized by the Rostov area Subcommittee and the necessity for it to increase its numbers still further.

Tax Committee

On 18 December, the Taxation Committee held its annual end-of-year Taxation Forum

The event highlighted the recent changes in tax legislation and prospects for the next few years and provided an excellent platform for discussion and exchange of knowledge by professionals.

Mr. Sergey D. Shatalov, Deputy Minister of Finance of the RF was the special guest at the Forum and he shared his views on the taxation system development together with professionals from the consultancy sphere.

L-R: **Svetlana Zobnina**, Partner, EY; **Vadim Zaripov**, Head of Analytical Department, Pepeliaev Group, Deputy Chairman of the Taxation Committee; **Dr. Frank Schauff**, AEB CEO; **Sergey D. Shatalov**, Deputy Minister of Finance of the RF; **Dr. Alina Lavrentieva**, Partner, PwC, Chairwoman of the Taxation Committee.

Sergey D. Shatalov, Deputy Minister of the finance of the RF

L-R: **Maxim Vladimirov**, Partner, Noerr; **Evgeny Timofeev**, Senior Partner, Goltsblat B.L.P.; **Arseny Seidov**, Partner, Baker & McKenzie; **Vadim Zaripov**, Head of Analytical Department, Pepeliaev Group, Deputy Chairman of the Taxation Committee; **Dr. Alina Lavrentieva**, Partner, PwC, Chairwoman of the Taxation Committee.

7th AEB Annual Survey: Strategies and Prospects for European Companies in Russia

The AEB has launched the 7th AEB Annual Survey "Strategies and Prospects for European Companies in Russia".

For several years, the Survey has been a highly regarded source of first-hand information which helps to maintain productive relations with the Russian authorities and facilitates the successful outcome of many AEB lobbying activities aimed at representing and defending the interests of its member companies.

We greatly value your expert opinion regarding developments in the Russian investment climate attractiveness and key challenges and strategies that impact European companies while doing business in Russia. You are cordially invited to contribute with your answers to this Survey. Full results of the Survey will be provided ony to companies that participated. Furthermore, the AEB will hold a lottery among the companies taking part in the Survey.

The Survey is conducted with the support of the International Institute of Marketing and Social Research "GFK Rus", who will ensure confidentiality of all answers and assist the AEB with data analysis.

Please complete the online questionnaire (the link will be sent to you) or the questionnaire in paper form (available in the AEB office and during all AEB events) before **18 April 2014.**

Thank you for cooperation!

MEMBER NEWS

ACCA

ACCA (the Association of Chartered Certified Accountants) is the first global accountancy body to introduce integrated reporting into its qualification

Students will be examined on integrated reporting for the first time in the accountancy profession when ACCA introduces it into its qualification from December 2014.

This comes as the International Integrated Reporting Council (IIRC) launched its new IR framework in December 2013. IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs, who have a shared interest in encouraging value creation for the long-term.

Alan Hatfield, director of learning at ACCA, said: "ACCA has a history of innovation and anticipating trends. We were the first professional accountancy body to examine in IFRS (International Financial Reporting Standards) and the first, in 2000, to examine within the framework of GRI, the Global Reporting Initiative.

Most of the elements of integrated reporting were already included in our global syllabus, but we have taken the opportunity to bring them together and IR will form part of our assessment going forward."

Anna Pirozhkova, head of ACCA Russia, added: "The Association continues to enhance its qualification on a regular basis and it makes us sure that ACCA members are at the forefront of good practice and equipped with advanced skills to work in all sectors worldwide."

This change resonates well with ACCA's core values, such as opportunity, innovation and accountability.

Alinga Consulting Group

Alinga Carries On Charity Tradition

Over the winter holidays, Alinga Consulting Group held a charity campaign to support non-profit organizations. We have done this for several years now. The idea came during the economic crisis, when we saw how many of the NGOs which we count among our friends and clients were struggling after the crisis severely curbed corporate and individual donations. Rather than sit and watch, and see the wonderful work these organizations do for the people of Russia falter, Alinga decided to act with an innovative new program.

Over the past few years, Alinga has, in place of giving gifts to its clients, donated funds in their name to several organizations, including:

Big Brothers Big Sisters is a part of Big Brothers Big Sisters International, one of the most effective mentoring programs for children in difficult life situations.

Downside Up's mission is to improve the quality of life for children with Down Syndrome in Russia.

United Way – The Fund supports programs aimed to meet the social needs of the following sections of society: children at risk, disabled (children and adults), refugees and homeless, elderly people.

Keystone provides comprehensive community-based services for children, young people, adults and families with autism and other intellectual disabilities.

Deti Nashi does everything in its power to ensure that as many children as possible are given the opportunity to live in loving homes, receive a quality education, develop as well-rounded individuals and participate fully in society.

Seminar on Changes in Legislation Affecting Businesses in 2013

On 27 November 2013, Alinga Consulting organized a workshop to discuss changes in Russian legislation affecting businesses in 2013.

The seminar addressed such issues as working with cost+ contracts, transfer pricing, changes in civil legislation, and issues involved with appealing the decisions of the Tax Authorities.

According to a survey of the participants, the most interesting presentations concerned those issues touching on the subject of taxation and accounting. Alinga's professionals addressed several questions from the audience on these subjects both during and after the presentations.

We want to thank everyone who attended this free, informative and enjoyable seminar!

ALPE consulting

President Vladimir Putin in the Austrian Tyrol house

On Sunday the 9th of February 2014 the President of the Russian Federation Vladimir Putin visited the Austrian Tyrol House in Krasnaya Polyana (Sochi). President Putin congratulated Austria on the gold medal in downhill skiing won by the Olympic Champion Mathias Mayer, talked to the legendary downhill skier Karl Schranz, and mingled with journalists as well as bystanders who came to support their fellow countrymen.

Vladimir Putin signing the RARU memorable book, with Paul Bruck, Most Service

During the visit, the General Director of ALPE consulting, Alexander Schachner, and Paul Bruck of Bruck Consult had the honour to present to Mr. Putin the "Race across Russia" book. The President autographed a personal copy for Alexander Schachner, and in return of course was presented with a signed personal copy from Alexander as a souvenir.

From left to the right: **Alexander Schachner**, Sports Minister of the Russian Federation **Vitaly Leontyevich Mutko** and **Paul Bruck** discussing the project "Race Across Russia"

SAP Project at SKOLKOVO

ALPE consulting has successfully completed the stage of designing the SAP ERP system at Skolkovo Foundation. The project started in September 2013 with its main purpose to increase the quality and trustworthiness of the financial and management reporting. The ALPE consulting project team has started to implement the developed solutions and is preparing the Skolkovo employees for the new ERP system.

SAP Project at Yazaki – Gorodets

In September 2013 the SAP Roll Out project was launched in the Russian branch of Yazaki in Gorodets. The customization phase has been successfully completed and the first system integration test took place. It is planned to automate the production, logistics and finance processes. The Go-Live is expected on the 1st of April 2014. The Japanese company Yazaki is the world leader in automotive components production.

SAP Project at Continental AG – Chistopol

Since November 2013 ALPE consulting jointly with Continental AG has been implementing SAP ERP at the company's branch in Chistopol. The experts of both companies carried out a number of inspections concerning financial and logistical business processes. Their implementation was confirmed in the blueprint phase and the solutions for logistics and finance were approved by Headquarters. Previously the experts of ALPE consulting carried out the successful implementation of SAP in the company's branch in Kaluga. Continental AG is a world leader in manufacturing automotive parts.

Antal Russia

New book by Luc Jones, Partner at Antal Russia

Luc Jones, Partner in Antal Russia, has written a new book about work and life in Russia, entitled "Why Russians don't smile". This book has been written as a general guide for two main groups of Westerners: Expatriates who have recently relocated to Russia/CIS or are based abroad but visit on a regular basis. And foreigners who perhaps don't visit Russia/CIS often but cover the region as part of their remit. This group includes HR/recruitment managers, finance directors and even some CEOs. Additionally it is possible that Russians may be interested in how they and their country are perceived by foreigners, especially those working for multinational companies

Luc was born in Huntingdon, England, to a British father and a French-Canadian mother. His first trip to Russia was while still at high school. Moving to Moscow in early 2002 with Antal Russia, he is now a Partner, covering several business units and assisting with regional expansion in Russia and CIS. An extensive traveller, Luc has visited over 100 countries, including all 15 former Soviet Republics, and continues to discover new places of interest throughout the region. To receive a free copy of the book, please contact Luc at: luc.jones@antalrussia.com

BSH

BSH's 20th anniversary celebration in Russia

OOO "BSH Bytowaja Technika" – the branch establishment of BSH Bosch und Siemens Hausgeräte GmbH – is pleased to announce its 20th anniversary celebration in Russia. During 20 years OOO "BSH Bytowaja Technika" has achieved impressive results in the Russian market, consistently supplying local customers with high quality household equipment.

The company is currently the second largest producer of home appliances by sales volume and represents 4 eminent brands: Bosch, Siemens, Gaggenau and Neff.

BSH Bosch und Siemens Hausgeräte GmbH has 40 plants in 13 countries and employes approximately 50,000, having an annual 9.8 billion Euros in revenue. Russian OOO "BSH Bytowaja Technika" headquartered in Moscow keeps pace with BSH group and has 180 authorized service centres and six regional offices throughout Russia.

Two manufacturing plants built in St. Petersburg in 2007 and 2012 meet strict German standards of quality, functionality and environmental protection. Both plants are set up in Neudorf-Strelna and produce high-quality refrigerators and washing machines. Soon the three millionth appliance will be produced for export to Europe there.

During all this time the company has managed to keep the label of innovation and quality, staying highly competitive and gaining more and more loyalty among consumers. The company observes unified secure standards for the environment and is considered to be a role model of economic and socially responsible usage of natural resources.

20 years is a significant date for OOO "BSH Bytowaja Technika". The company continues its further successful development in Russia and is looking forward to future progress, discoveries and innovations.

Dentons

Dentons advises E.ON on the purchase of a Russian energy supplier

Dentons advised integrated energy solutions provider E.ON Connecting Energies GmbH (ECT) on the acquisition of a stake in Russian company Noginsky Teplovoy Centre (NTZ) from AMG Industrial Investment Corporation AG (Switzerland). NTZ generates and provides heating energy and electricity to enterprises in Borilovo (Noginsk) Industrial Park located about 50 kilometres from Moscow. The park's tenants (NTZ's clients) include leading companies such as chemical and pharmaceutical group Bayer, global cosmetics manufacturer Oriflame, retail chain Metro and Russian mobile service provider MegaFon. Closing of the transaction is conditional upon approval of the Russian antimonopoly authorities and is scheduled for the second quarter of 2014. Advisor: Dentons (Moscow): Corporate / M&A: Alexei Zakharko (Partner), Nadezhda Gryazeva (Of Counsel), Sergey Gurdzhian (Associate), Real Estate: Artashes Oganov (Associate), Competition: Marat Mouradov (Partner), Natalia Afinogenova (Associate).Dentons (Berlin): Corporate / M&A: Dr. Christof Kautzsch (Partner), Judith Aron (Senior Associate), Dr. Daniel Barth (Counsel), Dr. Dennis Azara (Associate).

Ego Translating

Ego Translating Launches a New Online Interpreting Service

With the development of modern technology the issue of interpreting during webinars, webcasts and other instances of online communication has become increasingly important. Ego Translating offers its customers a solution to the problem through online interpreting.

Qualified linguists provide people with an opportunity to attend an online meeting, listen to a webcast, hold negotiations or give a presentation — all that without leaving their workplace, city or country.

This service is based on the symbiosis of online conferencing platforms and professional skills of interpreters who are able not only to convey the meaning of what is being said but also the speaker's emotional charge.

The launch of this service is driven by the market trends of MICE and other related industries. Consumers are more interested in online products and quick solutions to their business challenges, while Internet technologies have become an integral part of their business and everyday lives.

Online interpreting is offered:

- for the number of languages required by the multilingual audience;
- both consecutively and simultaneously, depending on the time allocated for an event;
- by a linguist (linguists) located anywhere in the world;

The new trend has been gaining momentum and we believe that the service offered by EGO Translating will become increasingly popular among our customer base.

Jones Lang LaSalle

Jones Lang LaSalle Shortens Name to "JLL" and Unveils New Logo

Underscoring its global operation, scale and vision for the future, Jones Lang LaSalle (NYSE: JLL), the professional services and investment management firm specialising in real estate, has announced that it is now using the name "JLL" and introducing a refreshed logo.

Shortening its name to JLL is a natural evolution of the firm's historically rich brand, recognizing that it is a truly global company located in multiple markets, with a wide range of expertise applied through many different client services. It also represents its adaptation to different communication styles in different countries, languages and channels, and especially the use of digital and online.

"Although we are adapting our name, our cultural foundation of collaboration, integrity and delivering real value to our clients, people and investors remains constant and unchanging. JLL is easily pronounced, remembered, visible and representative of our firm wherever we serve our clients around the world," says Charles Doyle, Chief Marketing and Communications Officer at JLL.

The JLL name and new logo will be rolled out globally over the next two years. The firm's legal name, Jones Lang LaSalle Incorporated, and the name of its wholly owned subsidiary, LaSalle Investment Management, will remain unchanged.

Systematica to become a new tenant of ComCity Office Park in Moscow

Systematica Group of Companies leased 17,365 sq m at ComCity Office Park, Moscow. ComCity is a project developed by the PPF Real Estate Russia in New Moscow. The deal was closed by JLL, the project's exclusive marketing and leasing agent.

ComCity is located in the most developed and prestigious South-West district of Moscow, on the territory of New Moscow, 1.8 km from MKAD along Kievskoe shosse. A new metro station Rumyantsevo to be opened near from Comcity in Q4 2014. The city-within-a-city concept of Comcity provides tenants with a huge below-ground retail gallery, master-planned and landscaped territory distinguished with leisure zones, fitness centres, kindergarten, sport grounds and other services. The office park is constructed in accordance with LEED standard.

The first phase of Comcity, named Alfa, will consist of four buildings with 107,500 sq m of office space. It will be commissioned in the middle of 2014. It is already 70% let to the Systematica Group of Companies and Rostelecom company.

JLL appointed as Property & Facility Manager for the Monpansie SEC

JLL has been appointed the property manager for Monpansie shopping and entertainment centre in St. Petersburg. With GBA of 58,500 sq m and GLA of 30,500 sq m, Monpansie to become the first high-quality retail project situated in Western part of the Primorsky district in St. Petersburg. The opening of the Monpansie SEC is scheduled for Q2 2014.

Monpansie is situated at the intersection of the Planernaya st., Shavrova st. and Shuvalovsky avenue. Thanks to its location the new SEC enjoys an excellent accessibility by public transport and shuttle busses.

Anchor tenants of Monpansie SEC are Prisma, Mirage Cinema, Detsky Mir, McDonald's, etc. JLL is also an exclusive leasing and marketing consultancy for the scheme. Industria Group is the developer of the Monpansie SEC.

Marriott

Berlin's historic Hotel am Steinplatz, autograph collection, welcomes guests once again

The historic HOTEL AM STEINPLATZ, representing a new lifestyle brand of Marriott International, Autograph Collection, recently opened following an extensive restoration. It represents the first Autograph Collection hotel in Germany. It was designed by August Endell, architect of Berlin's celebrated Hackesche Höfe complex. The building is a local landmark in the elegant residential area around Charlottenburg's Savigny-Platz.

The building opened as a luxury hotel in 1913. Following the October Revolution, many Russian aristocrats and intellectuals occupied the stately suites, while the hotel became a meeting place for prominent Berliners and travellers such as Vladimir Nabokov and Zarah Leander. During the Second World War, it was business as usual

at the hotel, albeit in an improvised fashion – complete with tomato plants on the roof and a herd of goats in the courtyard.

1950 saw the opening of the voguish basement bar, when Steinplatz became a rendezvous for guests such as Heinrich Böll and Günter Grass, film stars like Brigitte Bardot and Romy Schneider.

Throughout its 84 individually designed guest rooms, the hotel boasts exceptional interior design: a contemporary interpretation of 1920s flair, with a particular focus on natural materials. RESTAURANT AM STEINPLATZ sources the finest regional products to create classic Berlin dishes conceived by Michelin-starred chef, Stefan Hartmann. This philosophy is also reflected in BAR AM STEINPLATZ, which offers classic cocktails, as well as its own unique recipes using spirits produced in Berlin. On the top floor is SPA AM STEINPLATZ, offering spectacular views over the city's rooftops.

MetLife

MetLife Alico is marking its 20th anniversary in Russia by renaming itself MetLife

The rename marks the completion of the rebranding process following the 2010 acquisition of Alico (American Life Insurance Company) by MetLife, Inc. The closed joint-stock company "ALICO Insurance Company" (CJSC "ALICO") has changed its legal name to Closed Joint-Stock Company MetLife Insurance Company (CJSC "MetLife"), and will in future operate under the MetLife brand.

The Company's legal name and brand in Russian will now be aligned with the name and brand of MetLife, Inc., which is the primary shareholder of CJSC "MetLife".

For many customers who have entrusted CJSC "MetLife" with insuring themselves and their loved ones, the name change will not require any action. Although its name and logo may have changed, MetLife reaffirms all obligations assumed under its existing insurance agreements (policies) concluded under its previous name.

20 years of working on the Russian market is a significant accomplishment. MetLife has successfully weathered two financial crises, in 1998 and 2008. During this time, MetLife has established itself as a leader in the Russian insurance market. Based on 2012 results, MetLife holds second place among life insurance companies in terms of total premiums, and is the seventh most profitable insurance company, according to ratings issued by "Expert RA".

We thank our clients for their trust in our Company, and for remaining with us all these years! We also thank our partners for our successful and mutually beneficial cooperation!".

For more information please visit www.metlife.ru

Pepeliaev Group

Chambers and Partners nominates Pepeliaev Group for the 2014 Russian Law Firm of the Year award

Chambers and Partners, the international directory of law firms, has nominated Pepeliaev Group in the category of Best National Law Firm of the Year 2014. The 2014 Chambers Europe Awards ceremony will take place in London on 24 April 2014.

The Chambers Europe Awards for Excellence reflect which law firms occupy the leading positions in key areas of the law. The list of Chambers Europe Awards nominees is drawn up annually and is based on data relating to a firm's large-scale projects, its strategic growth and exceptional client service. Pepeliaev Group has been included in the Chambers Europe Awards for Excellence shortlist for the last three years.

Chambers and Partners rates Pepeliaev Group's achievements highly. For several years, Chambers Global and Chambers Europe have rated the firm's tax practice and Managing Partner Sergey Pepeliaev as the best in Russia for taxation, naming them in the band star category. Chambers Global also singles out our Dispute Resolution and Mediation Practice.

In recent years, Chambers Europe has included Pepeliaev Group in the top-three law firms in the following fields: antimonopoly regulation, telecommunications, employment law, real estate and construction, dispute resolution and mediation, intellectual property and trademarks, and has recommended Pepeliaev Group for providing legal support in relation to projects in Russia.

Pepeliaev Group's Alexey Konevsky speaks at international investment conference held in Germany

Alexey Konevsky, Partner for Real Estate and Construction at Pepeliaev Group, was invited to speak at the international conference "A Growing Market. Modernisation. Medium-Sized Business". Dedicated to improving Russia's investment reputation in Germany, the conference was held in Berlin on 21 February 2014.

The event was organised by the Association of German Chambers of Industry and Commerce and the Russian-

German Chamber of Commerce. Those present discussed Russia's economy and possibilities for economic cooperation between Russia and Germany, including opportunities for German businesses in Russia.

At the conference, Alexey Konevsky gave a professional viewpoint on a range of major issues, including the localisation of production in Russia. He also spoke at length about foreign investment, including current opportunities to that effect and the conditions in which businesses deal with the state authorities.

Alexey Ulyukaev, Russian Minister of Economic Development, also spoke at the conference. He addressed the main directions in which Russian authorities are striving to improve Russia's investment appeal, stressing the special role of Germany as Russia's key foreign trade partner.

Pepeliaev Group successfully holds a panel within the Krasnoyarsk Economic Forum

On 27 February 2014, Pepeliaev Group held, within the Krasnoyarsk Economic Forum, a panel dedicated to: "What the Krasnoyarsk Region should do to become an investment leader for Russian and global businesses." At the panel session, experts, representatives of business and state authorities exchanged opinions on how to improve the Region's position in the national ratings for investment climate and what tools should be implemented to support entrepreneurs.

Sergey Pepeliaev, Managing Partner of Pepeliaev Group, chaired the panel session. Commenting on the initiative to establish a national ratings system, Mr Pepeliaev stressed that not only investors but also the country's authorities will use this instrument to assess the efforts made by regional teams to implement national business initiatives. For this reason, it is crucial to make sure that a region is included in the directory and do the utmost to be worthy of place in it.

RH Partners

Partnership of RH PARTNERS & Geodis

RH PARTNERS is proud to announce the successful cooperation and partnership with Geodis in Russia.

Geodis is Europe's fourth, and the world's sixth, biggest logistics and transport operator, having an annual turnover of more than 7.1 billion Euro, and 32 000 employees. It is owned by French state railways Group, SNCF. Geodis has an extensive network of branches and subsidiaries worldwide, and is present in 120 countries.

Being in an active phase of growth in the Russian market and satisfying the needs of high-qualified managers who need to cope with ambitious plans, Geodis has chosen RH PARTNERS for long term partnership for the recruitment of their personnel, reinforcement of their team and HR consulting.

Time-tested and proven by customer feedback, RH PARTNERS is oriented towards successful partner development. It guarantees high quality HR support and services, including employee profile definition, deep market evaluation, accurate candidate selection, and full professional integration into the team.

Nowadays, the result of this collaboration is the successful achievement and closure of several key projects for leading managerial positions.

RH PARTNERS consultants are experienced and innovative, using modern technologies corresponding to international standards, considering various requirements of current market situation.

VOLKSWAGEN Group Rus

The VOLKSWAGEN Group Rus Plant in Kaluga Expands Its Production Facilities

OOO VOLKSWAGEN Group Rus announced that construction of a new body shop at the company's Kaluga plant has been completed. Construction of the shop, which has a total area of 9,200 m^2, began at the end of 2012. Construction was completed on schedule. A total of 19 million euros were invested in construction of the shop, and 60 million euros in equipment. Among other things, the body shop is designed for production of the new ŠKODA Rapid, which started in Kaluga on 28 February.

All the equipment installed in the shop complies with Volkswagen's most recent electrical and programming standard (VASS). A third generation jig station (framer) is the pride of the new shop and an example of state-of-art equipment. It reduces the length of the expansion stroke in forming the body geometry by ~15% and the process time for changing the supplied body type by ~40%. Forty-four industrial robots have been installed, bringing the level of automation on the new welding line to 30%.

Along with the ŠKODA Rapid, the Kaluga plant of VOLKSWAGEN Group Rus also produces the Volkswagen Polo Sedan, Volkswagen Tiguan and ŠKODA Fabia models. The Kaluga plant has a capacity of 225,000 cars per year.

APPOINTMENTS

ACCA

ACCA Russia Announces a New Head

Anna Pirozhkova has been appointed the new Head of ACCA Russia. As her main goal, Anna sees the implementation of a new development strategy for ACCA in the Russian market, along with opening new opportunities and expanding activities of the Association within Russian business community.

Anna has degrees in law and philology, and more than 10 years' experience in finance and management. Anna worked with Deloitte in the corporate finance department, both in the Moscow and the London offices. She has had previous professional assignments at Coca-Cola and KPMG. Anna has been ACCA member since 2008.

During last four months of 2013 Anna Pirozhkova participated in different industry events where she presented ACCA's expertise on important topics such as changing role of CFO, professional ethics, IFRS accounting, etc.

In the near future the Association will significantly expand its presence in social networks, launching official pages on ACCA for Russian users. In addition, ACCA focuses on activities in Russian regions and cooperation with universities.

ACCA has operated in Russia for more than ten years, and currently supports more than 10,000 members and students all over the country. ACCA sees in Russia significant opportunities to contribute to the financial profession and makes a major input to increasing the demand of highly qualified financial experts both in local and global markets.

Antal Russia

Eugenia Lanichkina appointed Associate partner in Antal Russia

Eugenia was born in the Moscow region. She earned a diploma of Moscow Economic Institute in Administrative Management. Eugenia has more than 10 years' experience in recruitment. She started her career with Antal Russia in 2007. In less than a year Eugenia set up B2B recruitment department and became its manager. In 2011 Eugenia became Head of Industrial recruitment and HR recruitment departments. Eugenia was promoted to Associate partner in November 2013. Before starting her career in recruitment Eugenia worked as a psychologist in a Disabled Persons Adaptation Centre and as a client relationship manager in medical clinic in Uruguay.

Vera Filatova appointed Associate partner in Antal Russia

Vera Filatova joined Antal in 2007 as a consultant in the B2B Sales department which is one of the biggest teams at Antal Russia. As a result of her work she has been promoted to head up the entire B2B sales practice. Vera joined from Chemical major Bayer AG where she spent more than 5 years in various sales departments of the group in Russia. Her success at Antal Russia includes senior placements with companies such as Chemtura, Bejo, Pfizer Animal, Lord, PPG, Thyssen Krupp, Gabriel Chemie etc.) As part of her work all major chemistry-related exhibitions are regularly visited, which results in quite a large network of contacts Antal Russia can draw upon. Due to her career and technical education, Vera has built a very detailed understanding of the Chemistry industry in Russia and its major players. In 2013 Vera was promoted to Associate Partner.

Dentons

Nadezhda Gryazeva appointed Of Counsel at Dentons' Moscow office

Moscow, January 2014 – Nadezhda Gryazeva has been appointed Of Counsel at Dentons' Moscow office. Nadezhda's practice focuses on Russian corporate and foreign investment law as well as mergers and acquisitions in the Russian Federation.

She has participated in acquisitions of Russian companies conducting activities of strategic significance and restructuring groups of companies with foreign investment, and is experienced in matters involving the acquisition of manufacturing companies. She is also familiar with Russian merger control requirements and provides legal support for compliance with the regulatory clearance procedures in share and asset acquisitions and corporate restructurings.

Nadezhda's practice also includes advising on shareholder protection measures, operations on Russian securities markets, conducting public tenders, finance leases and factoring operations in the Russian Federation.

Nadezhda graduated from the Peoples' Friendship University of Russia (Masters in Law with honours, 2004).

Roman Zaitsev appointed Partner in Dentons Dispute Resolution Practice

Roman Zaitsev has been appointed Partner in the Moscow Dispute Resolution Practice. Dentons' Russian Dispute Resolution Practice is one of the leading dispute resolution practices in Russia and has handled some of the most significant and precedent-setting cases in the country. The practice combines 20 lawyers, including 8 partners, with some of its members specialising in tax, employment, competition, intellectual property and international trade disputes. Roman specializes in Russian procedural, civil and corporate law and enforcement proceedings, and has significant experience representing client interests in state commercial courts, where he successfully represented major multinational corporations, individuals and organizations, including commercial banks, energy companies, car manufacturers, state and municipal authorities, and major defence enterprises. He has successfully acted in major commercial disputes, bankruptcy proceedings and disputes with state authorities as well as in cases involving the recognition and enforcement of foreign judgments in the Russian Federation. Roman has also participated in general enforcement proceedings, due diligence investigations, alternative dispute resolution and various other commercial, civil, procedural, general corporate and administrative matters.

Dentons partner Sergey Trakhtenberg to head Russian Real Estate/ Construction practice

Sergey Trakhtenberg, partner of Dentons' Moscow office, has been appointed head of the Russian Real Estate/Construction Practice. Sergey has extensive experience in cross-border M&A, joint venture and finance transactions primarily in the real estate sector.

Sergey has acted as a lead lawyer in a wide range of transactions, including share and asset sales and acquisitions, investment in existing or future property, construction, secured and unsecured lending (both on the lender and borrower side), workouts and restructurings of defaulted loans, and others. He has significant experience in structuring and implementing these transactions and drafting and negotiating a full range of related transaction documentation (including English law documents). He has also conducted numerous full and limited-scope due diligence reviews and coordinated due diligence exercises by offshore counsel on cross-border transactions.

The Right Honourable Jean Chrétien joins Dentons Canada

Dentons Canada is pleased to announce that the Right Honourable Jean Chrétien, P.C., C.C., O.M., Q.C., Ad. E., has joined the firm as Counsel.

Mr. Chrétien was the 20th Prime Minister of Canada and held that office for over ten years, heading three consecutive majority governments during his tenure. As Prime Minister, Mr. Chrétien stressed balanced budgets, national unity and a strengthened place for Canada in the world. His government's legacy also includes a number of social reform and humanitarian initiatives. Mr. Chrétien was first elected as a Member of the House of Commons in 1963. During his career, he also served as Deputy Prime Minister, Minister of Finance, Minister of Foreign Affairs, Minister of Justice and Attorney General, Minister of Industry, Trade and Commerce, Minister of Indian Affairs and Northern Development, President of the Treasury Board, Minister of Energy, Mines and Resources, Minister of National Revenue, Minister responsible for Francophone Affairs and Minister in charge of Social Development. In 2007, Mr. Chrétien was appointed Companion of the Order of Canada, and in 2009, he was awarded the Order of Merit by Her Majesty Queen Elizabeth II.

JLL

Natalia Zakh joined JLL team

JLL, Russia & CIS announces a new appointment. Natalia Zakh joined the leading international consultancy as Associate Director, Valuation Department.

Natalia's experience in Real Estate Valuation exceeds 7 years. In 2007-2011 she worked in the Valuation department of CBRE. In 2012 she moved to the Corporate Finance Department of Deloitte where she was responsible for valuation report expertise for audit purposes and took part in business development in real estate industry.

Natalia obtained a Master Degree of Economics and Development Management and completed Valuation courses in the Moscow State University of Civil Engineering. Being MRICS since 2008, Natalia is a Board Member of RICS, Russia & CIS.

NEW MEMBERS

ALBA Corporation Ltd.

ALBA Corporation Ltd. was established in 1998 and during the last 15 years has been transformed from a small family business into a nationwide Corporation managing the supply chain for over 50 footwear stores. ALBA family brands have become one of the most recognizable, popular and honoured ones, as can be seen from numerous sociological queries. Assurance of our brands recognition and reputation is up-to-date design based on modern fashion tendencies and trends, supreme product quality and first-class customer service, comparable with best industry practices.

The company owns and promotes two eminent trademarks: ALBA® (core medium class lady's and men's fashion) and Svetski® (affordable unisex youth fashion) engaging carefully picked world-wide known range of production suppliers from Italy, China, Spain, Brazil and Turkey. Our modern, perfectly balanced and well-managed fashion footwear and accessories portfolio consists of over 1,500 distinct items.

Currently the Company is going through next wave of rapid development. Dozens of new, modern footwear stores are opening their doors for customers every year, and meeting the highest industry requirements.

www.the-alba.com

ZAO Betset

Betset Ltd., a private business of the Löytönen family, founded in 1950. It is the fourth biggest company in the field of concrete element industry in Finland. The company manufactures pre-cast element structures for industrial, office and residential building projects. The Betset corporation has five plants, the one being situated in Kyyjärvi, Finland.

ZAO Betset started its activity in Russia in November 2009. The Russian factory produces both external and internal wall elements to construction market of St. Petersburg. In 2013 ZAO Betset served such leaders of local construction market like YIT, Lemminkäinen, NCC, LSR Group, SPB Renovation and DalPiterStroy. In 2014 Betset decided to expand its business and started to build new production facilities. The Production capacity of Betset will be enough to cover the demand in construction of 500,000m^2 of buildings.

www.betset.fi/ru/

Borenius

Attorneys-at-law Borenius Russia is a well-established full-service practice in Russia's North-West with Finnish origin. We are one of the regional leaders in mergers and acquisitions, corporate and commercial contracts; real estate, construction and development; intellectual property and information technology; dispute resolution. In addition, we have solid experience in competition, tax, customs, bankruptcy, employment and migration, as well as strategic and boardroom advice. We provide legal services to Russian and foreign clients from various industries throughout Russia. We currently have over 20 lawyers in our team, including seven highly-ranked individuals.

Our team has long experience and a thorough understanding of the Russian legal system and business environment. We offer hands-on approach and effective business solutions. Attorneys-at-law Borenius Russia membership in Borenius Group provides our clients easy access to more than 200 Finnish, Estonian, Latvian, Lithuanian and US professionals.

www.borenius.com

Caverion

Caverion

Caverion designs, builds and maintains user-friendly and energy efficient properties. Our strengths are technological competence and customer-oriented service which covers all types of building technology system.

www.caverion.ru

Danya Cebus Ltd

Danya Cebus Ltd is a public company listed since the year 2000 on the Tel Aviv Stock Market and is affiliated with Africa-Israel Investments Ltd.

Danya Cebus Ltd deals with civil construction and infrastructure development inside Israel and beyond.

Danya Cebus Ltd is represented by Danya Cebus Rus in Russia, Danya Cebus Rom in Romania and Danya Cebus US in the USA, and in parallel is participating in various fields like: initiating, planning, realising and managing projects for international companies that handle their business in Israel as well as for the Israeli government and its authorized representatives.

The Danya Cebus Ltd business incorporates the construction of administrative buildings, business centres, commercial centres, residential complexes, hotels, infrastructure, highways and stadiums.

www.dcrus.ru

Gi Group

The Gi Group is one of the world's leading companies providing services for the development of the labour market. It is active in the fields of temporary and permanent staffing, search and selection, HR consulting and training, as well as a variety of complementary activities. Thanks to direct presence and strategic partnership, it operates more than 20 countries across Europe, Asia and America.

Able to serve all kinds of client, the Group has developed a strong expertise in large and multinational organizations, for which has implemented global solutions (e.g. International Mobility, Site Managed Services), specialist divisions and dedicated teams, both local and international. Ranked as one of the largest staffing firms globally by Staffing Industry Analysts, the Group is also a Global Corporate Member of CIETT, the International Confederation of Private Employment Agencies.

In 2013 the number of workers hired reached 160,000 worldwide, supplied to over 15,000 companies, with a turnover of 1 billion roubles and 140 million Euros.

Our mission: "Through our services we want to contribute, as a key player on a global basis, to the evolution of the labour market and to education in the personal and social value of work".

www.gigroup.com

IBFS

IBFS United International group of companies has more than half a century history of successful legal cases and the provision of consulting services in financial and economic areas. The IBFS United is one of international consulting groups represented in Russia and the CIS countries. IBFS is oriented to providing high-quality and diverse business services for companies, leading international economic activity.

The Main activities of the IBFS United group of companies are:

- Consultancy in the field of tax law and taxation, in particular transfer pricing in countries around the world, including Russia;
- Organization and management of corporations, foundations, trusts, banks and other financial and economic forms of asset management in more than 40 countries;
- Providing legal services in the areas of corporate law, securities, M&A contracts, as well as litigation in civil, arbitration and intermediate courts.

The main feature of IBFS united is to provide entrepreneurs with a unique set of legal and consulting services earlier available only to clients of Big Four. The extensive international experience of consultants and lawyers at offices of the IBFS united in many countries of the world makes the services of IBFS united demanded and high efficient.

www.ibfsunited.com

KWS

KWS RUS

KWS RUS is the Russian subsidiary of German company KWS, a world-leading corporation engaged in the breeding and seed production of agricultural crops. It has more than 150 years' experience, and branches in 70 countries around the world. For more than 15 years KWS has been known in Russia as a sustainable producer and supplier of seeds for sugar beet, corn, oil crops, cereals and potatoes. In 2008 KWS Research & Development Stations (Agriculture Competence Centres) have started to work in the Lipetsk and Krasnodar regions.

www.kws-rus.com

L&T

Lassila & Tikanoja

Lassila & Tikanoja specialises in environmental management and property and plant support services. L&T is a significant supplier of wood-based biofuels, recovered fuels and recycled raw materials. With operations in Finland, Sweden, Latvia and Russia, L&T employs 8,960 persons. Net sales in 2012 amounted to 674 million Euros. L&T is listed on NASDAQ OMX Helsinki.

www.lassila-tikanoja.com

ОБСЕРВ

OPSERVE

Over the years, I have been involved as a CEO, consultant and coach in a number of multicultural business development and investment projects in Europe and the USA in industry: Siemens, Philips, Bühler, Atmel, Alstom, Bosch, Faurecia, Bayer, Orange and many more. I learnt to observe and constructively confront paradigms, people interactions and ways of working, to help organizations ultimately meet their key business objectives.

This is the essence of Opserve, the consulting and coaching firm I created in Paris in 2001 and in Moscow in 2013:

Observing and coaching joint ventures and investment projects in Europe and Russia.

I spent the year 2013 observing joint ventures in Russia: I am confident the unique observation / commitment methodology of Opserve will help both the Russian and European teams work through key people, operational and strategic issues, and deliver real results.

Opserve usually starts interacting by a 90-minute preliminary interview with the general manager(s), followed by a one-week "clinical" observation of actual business meetings. These observations are debriefed "on the spot" to eventually propose concrete actions along three dimensions: leadership, competitiveness, operations management. When appropriate, Opserve will mobilize its network of professionals in Europe.

W
ST. PETERSBURG

W St. Petersburg

Conceptualized by award-winning architects Antonio Citterio Patricia Viel and Partners, W St. Petersburg is located in the historical centre of the city, next to St. Isaac's Cathedral, a stone's throw from the lavish Winter Palace, with its famed Hermitage Museum, and a short stroll from the spectacular Neva River.

Retreat to our 137 guest rooms and suites, where bold décor recalls a masterpiece of Russian craft and artistry – Fabergé egg and mingles with furnishings by B&B Italia, personal extras and vivid views of St. Isaac's Cathedral or our tranquil courtyard.

Unwind at Russia's first Bliss® Spa, sip and socialize in the Living Room and explore the best and the most fashionable cocktails and cuisine scene of St. Petersburg – indulge in our signature restaurant miX in St. Petersburg inspired by Alain Ducasse, before tuning into the DJ's beats in our rooftop miXup terrace or in miXup bar, all to the rhythm of the spectacular Neva River flowing into the Gulf of Finland.

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www.wstpetersburg.ru

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telenor group
Большой театр
Telenor Group, official sponsor of the Bolshoi Theatre since 2008
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