

## FUNCTIONING OF DEVELOPMENT INSTITUTIONS IN THE RUSSIAN FEDERATION AT THE MODERN STAGE

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### Dzhukha V. M., Rybkina A. S. Functioning of development institutions in the Russian Federation at the modern stage

This paper is concerned with functioning of development institutions in the Russian Federation, the government of which has set a target to support innovation development and economic modernization. To solve this problem a system of development institutions is implemented in economics of Russia. In the present study is analyzed the mechanism of development institution's implementation and discussed some challenge of it, particularly, system imbalances in functioning of institutes of development. The results of this study prove necessity of effective institution building to support companies and new and innovative projects in various stages of the innovation cycle.

**Key words:** development institutions, economic development, governmental policy, innovations, the innovation cycle.

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### Джука В. М., Рыбкина А. С. Функционирование институтов развития в Российской Федерации на современном этапе

В данной статье затронута тема функционирования институтов развития в Российской Федерации, Правительство которой поставило своей целью поддержать инновационное развитие и модернизацию экономики. Для решения данной проблемы в экономике России внедрена система институтов развития. В настоящем исследовании проанализирован механизм внедрения данных институтов развития и рассмотрены вызовы, связанные с этим, в частности, несбалансированность в функционировании институтов развития. В результате данного исследования доказана необходимость эффективного построения системы институтов для поддержания компаний и новых, инновационных проектов на различных стадиях инновационного цикла.

**Ключевые слова:** институты развития, экономическое развитие, государственная политика, инновации, инновационный цикл.

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### Джука В. М., Рыбкина А. С. Функціонування інститутів розвитку в Російській Федерації на сучасному етапі

У даній статті порушено тему функціонування інститутів розвитку в Російській Федерації, уряд якої взяв за мету підтримати інноваційний розвиток і модернізацію економіки. Для вирішення даної проблеми в економіці Росії впроваджено систему інститутів розвитку. У цьому дослідженні проаналізовано механізм упровадження даних інститутів розвитку і розглянуто виклики, пов'язані з цим, зокрема, незбалансованість у функціонуванні інститутів розвитку. У результаті даного дослідження доведено необхідність ефективної побудови системи інститутів для підтримки компаній і нових, інноваційних проектів на різних стадіях інноваційного циклу.

**Ключові слова:** інститути розвитку, економічний розвиток, державна політика, інновації, інноваційний цикл.

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The modern stage of economic development of Russia characterizes with strengthening attention on problems of innovative activity in all branches and spheres of economy. Owing to exhaustion of model of catching up development Russia faced ambitious problem of transition trajectory of system modernization and innovative development. Such transition of Russia to the innovation way of development is one of the most important priorities for governmental policy and mechanism of this implementation is a system of development institutions. The last decade of Russian economic development has well demonstrated that the long-term determinant of economic growth is not simple capital investment, but the growth and application of knowledge. From 2000 until

2011 Gross domestic product growth rate in Russia averaged 5.3 percent reaching an all time high of 10.0 percent in 2000 and a record low of -7.8 Percent in 2009 (fig. 1).

Leaning on the different characteristics of innovation in the literature, innovation can be defined as a matter of combining the processes of knowledge generation and exploitation in order to develop new commercial applications of economic value. More concretely it might be defined as new products, new methods of production, new sources of supply, the exploitation of new markets and new ways to organize business. The problems of institutional context of innovative activity is most consistently developed in D. Nort's work «Institutions, Institutional Change and Economic Performance» (Cambridge University

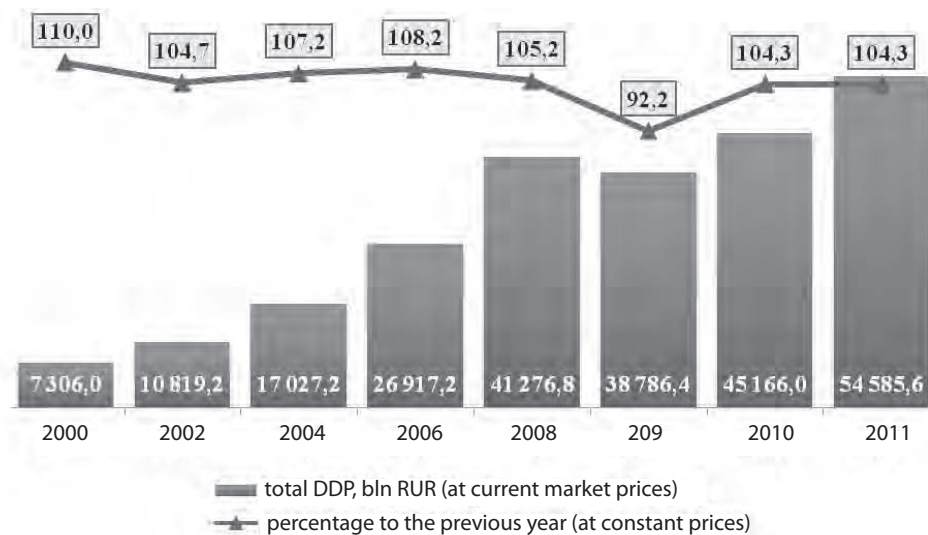


Figure 1. Volume and dynamic of Russia Gross domestic product in 2000 – 2011 years [1]

Press, 1990). Specific feature of its analysis is paying a special attention to interaction of institutional structures and technologies, their common role in economic and social development.

The interconnectedness between different types of institutions is a very important aspect of institutional analysis. Different types of institutions are seen in a combined form. Similarly, the institutions at the various territorial levels, such as regional, national and global, should also be interconnected and experienced in a combined manner. The varieties of capitalism approach analyzes how certain historical processes in different countries have led to the establishment of liberal or coordinated market economies. Differences between the two are based on the characteristics of the labor market, financial, educational, and social welfare institutions. In other words, the focus of analysis is on the availability, competence, and regulation of labor, tax policies and funding possibilities as well as existing historical traditions of education in certain countries. The main criticism of this branch of literature is that it does not take into account the differences between countries with the same type of capitalism and neglects the variety within a single country. It mainly focuses on macro institutional structures at the national level. Yet, certain collaboration patterns between the organizations, implementation of regional innovation policies, and organizational practices of research activities are also part of the institutional framework of a certain geographical area.

The term «institution» means rules and norms (both formal and informal) facilitating interactions between people (the institution of market, the institution of property rights etc.) or the organizations providing the framework for interactions between people. At the same time the term «development institution» means organization (financial and nonfinancial) created by the Government or with the participation of the Government as part of an overall strategy to develop and promote specific strategic sectors, infrastructure development, shipping and capital-intensive and high-technology industries for the social and economic development of the country. Therefore the present paper is focused on development institution.

As noted above in economic practice traditionally identifies two types of development institutions – financial and nonfinancial:

1. Financial (provide co-financing to the projects necessary for national economy): development banks, development agency, export-import banks, export and insurance agencies,

debt agency, financial corporations, investment funds, venture funds, sovereign funds etc.

2. Nonfinancial (do not provide direct financing to business, but they develop the infrastructure necessary for it, – the material one as well as the financial, informational and consulting infrastructure): special economic zones, science and technology parks, scientific-innovation centers, scientific funds, industrial unions, educational and think tanks, trade associations etc.

At the moment there are a great number of development institutions of various kinds in Russian Federation. Some of them already have a certain experience of functioning while others have been created recently and are only beginning to work. First and foremost the main purpose of institution building is correcting market failures in a concrete sphere, reducing the risks of private investors and overcoming various barriers. Among the major institutions of the Russian Federation the largest is the following:

**The Foundation for Assistance to Small Innovative Enterprises (FASIE, founded in 1994)** [2]. The Foundation's mission is to support companies with seed capital for transforming their ideas into industrial prototypes and then into commercial product.

**The Russian Foundation for Technological Development (RFTD, founded in 1991)** [3]. Established with a view to create favorable conditions for keeping and developing of Russian scientific and technical potential.

**The Russian Venture Capital Association (RVCA, founded in 1997)** [4]. The RVCA activities is aimed at promotion of the Russian private equity and venture capital market formation, the innovative activity intensification, and the competitive growth of real economy sector of Russia increase.

**Russian Venture Company (RVC, founded in 2006)** [5]. The mission of RVC is to ensure faster development of an efficient and globally competitive innovative system through creating a self-sustained VC industry in synergy with other development institutions, engaging private venture capital, nurturing innovative entrepreneurship and technology business expertise, and mobilizing Russian human resources.

**Skolkovo Foundation (founded in 2010)** [6]. The Skolkovo Foundation and its partners transform the infrastructure, resources and other possibilities of the Skolkovo Innovation

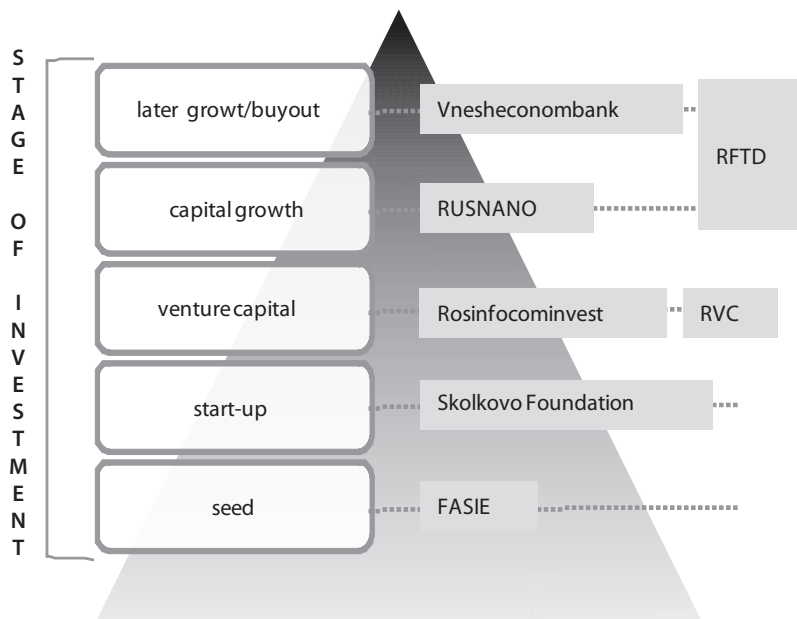
Centre, into effective services for companies that are project participants. The strategic goal of the Skolkovo Innovation Centre is to concentrate international intellectual capital, thereby stimulating the development of break-through projects and technologies.

**Open Joint Stock Company «Rosinfocominvest» (founded in 2007)** [7]. It is the first sectorial investment fund in the sphere of information technologies. Investment capital is formed from the federal budget resources and private investments on parity base.

**RUSNANO Corporation (founded in 2007)** [8]. RUSNANO is state instruments dedicated and empowered to fostering the growth of the nanotechnology industry in Russia. RUSNANO carries out its charge through commercial mechanisms, by co-investing in nanotechnology projects with substantial economic potential.

**Vnesheconombank (founded in 2007)** [9]. Vnesheconombank is a state corporation performing functions of the Bank for Development. It operates to diversify the Russian economy, boost its competitive edge and encourage the inflow of investments. Vnesheconombank funds major investment projects aimed at removing economic growth infrastructure restrictions.

Many of them possess considerable capital amounting to billions of dollars. They operate in diverse spheres and support projects in various stages of the innovation cycle, – this institutional environment called «innovation lift», according to which specialized development institutions interact with each other to encourage funding of innovative projects (fig. 2).



**Figure 2. The concept of «innovation lift» in Russian Federation**

The institutional framework of innovation systems is a complex framework of contradictory and harmonious relations between different types of institutions at different territorial levels. Furthermore, since innovation processes stretch over time, the institutional framework influencing it is also dynamic. Institutions that are crucial enablers at the initial stages of innovation might lose their impact at later stages, while other enabling or hindering factors become more important. Therefore, the institutional framework of innovation systems should not be described as one solid entity, but in relation to concrete innovation processes, taking time and space dimensions into account.

The development institutions may work in quite various forms and ways. In this case to stress the following trends of improvement of development institutes system:

1. Total high dynamics of changes and increased efforts on the completion of development institutions.
2. Integration of Russian institutions into the global innovation system.
3. Increased interaction of development institutions to support innovation.

The number of institutions has been developing rapidly in Russia during the last 10 years, and Russian Government has faced following problems:

1. The output of some of the institutions outside the market failure, a gradual «drift» in less risky areas, focus on obtaining additional public resources, the division of responsibility for decisions with the State.
2. Low level (or absence) of private capital in the development institutions, the risk of crowding out of private funds, «cross-investment» of different institutions.
3. System imbalances in functioning of institutes of development:
  - ✦ «vertically» imbalance is insufficient balance support at different stages of innovation;
  - ✦ «horizontally» imbalance associated with the thematic focus of development institutes and characteristics of prioritizing their activities;
  - ✦ institutional imbalances, that is based on the terms of the regulatory support framework and a set of used tools of development institutions.

As noted by Maskell and Malmberg, measuring institutions by their outcomes may lead to circular reasoning: the cities, regions or nations that do well are those that are equipped with the appropriate institutional structure, while appropriate institutional structure is found in the territories that perform well. Territories that perform well have a well-functioning institutional framework that supports needed activities. However, a lack of activities does not necessary mean lack of institutions. A lack of activities might be caused by a lack of resources rather than a lack of institutions.

The international experience shows us that the solution to these problems lies in the expansion of the «circle» of the supported projects and pre-seed stage. Increased grant support in the early stages, support for research universities to create special seed fund. Russia is still at the beginning stage of generating a knowledge-based economy.

Thereby there is a necessity to improve the environment for the development of new and innovative projects and companies: increase funding for research and development, involvement of students in the commercialization of research and development, support for the integration of established small innovative firms in global value chains. Institutional diversity also matters when creating different innovation policies. The institutional framework for innovation activities consists of regional, national and global institutions, which can be harmonious or contradictory. When implementing innovation programs, policy makers should take into account those institutions that are in line as well as those that contradict policy goals.

To draw the conclusion, one can say that to generate elements of innovative economy, to «compress» time frameworks of evolutionary transition to economy based on knowledge, there is a necessity to lead monitoring and evaluation of qualitative, indirect effects of institutions activities, the organization of regular independent expertise. ■

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## ФИНАНСОВАЯ СТАБИЛИЗАЦИЯ СТРАН ГЛОБАЛЬНОЙ ЭКОНОМИКИ В УСЛОВИЯХ ДОЛГОВОГО КРИЗИСА

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### Вовченко Н. Г., Сульженко В. С. Финансовая стабилизация стран глобальной экономики в условиях долгового кризиса

Европейский кризис тормозит глобальное восстановление экономики, рост восстановления замедлился. Все это требует наднациональных решений: создания регулятивных структур и новых финансовых инструментов в целях сохранения стабильного мирового финансового порядка. Методы количественного ослабления (QE), проводимые американской Федеральной Резервной системой и Банком Англии, стремятся стимулировать деятельность частного сектора через понижение стоимости кредита, генерацию положительных эффектов благосостояния и подъем доходов по инвестициям. Покупки актива эффективно перемещают опасные финансовые активы от частного сектора на баланс центрального банка или специального фонда QE в обмен на безрисковые резервы центрального банка. Таким образом, оба типа мер осуществляются за счет рисков, накапливающихся на балансах центральных банков и таким образом, косвенно, на балансе государственного управления. Обмен информацией между соответствующими агентствами, включая офис управления долгом, предприятия государственного сектора, управляющие активами, и центральный банк, важны для эффективного управления всеми государственными активами и обязательствами. Надлежащая оценка финансовых позиций требует всесторонней и прозрачной отчетности по всем государственным обязательствам и активам. Кроме того, финансовая прозрачность способствует консолидации.

**Ключевые слова:** европейский кризис, финансовая политика, финансовая неустойчивость, меры финансовой поддержки, финансовые активы, наднациональные структуры.

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### Вовченко Н. Г., Сульженко В. С. Фінансова стабілізація країн глобальної економіки в умовах боргової кризи

Європейська криза гальмує глобальне відновлення економіки, зростання відновлення сповільнився. Усе це вимагає наднаціональних рішень: створення регулятивних структур і нових фінансових інструментів з метою збереження стабільного світового фінансового порядку. Методи кількісного ослаблення (QE), проведені американською Федеральною Резервною системою й Банком Англії, прагнуть стимулювати діяльність приватного сектора через зниження вартості кредиту, генерацію позитивних ефектів добробуту та підйом доходів по інвестиціях. Покупки активу ефективно переміщують небезпечні фінансові активи від приватного сектора на баланс центрального банку або спеціального фонду QE в обмін на безризикові резерви центрального банку. Таким чином, обидва типи мер здійснюються за рахунок ризиків, що накопичуються на балансах центральних банків і таким чином, побічно, на балансі державного керування. Обмін інформацією між відповідними агентствами, включаючи офіс керування боргом, підприємства державного сектора, керуючі активами, і центральный банк, важливі для ефективного управління всіма державними активами та зобов'язаннями. Належна оцінка фінансових позицій вимагає всебічної й прозорої звітності по всіх державних зобов'язаннях й активах. Крім того, фінансова прозорість сприяє консолідації.

**Ключові слова:** європейська криза, фінансова політика, фінансова нестійкість, заходи фінансової підтримки, фінансові активи, наднаціональні структури.

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### Vovchenko N. G., Sulzhenko V. S. Financial Stabilisation of Global Economy Countries under Conditions of the Debt Crisis

European crisis hinders global restoration of economy, the growth of restoration slows down. All these require supranational solutions: creation of regulation structures and new financial instruments in order to preserve stable world financial order. Methods of quantitative easing (QE), carried out by the American Federal Reserve System and Bank of England, aim at stimulation of private sector activity through reduction of loan cost, generation of positive effects of well-being and increase of investment income. Purchase of assets efficiently move dangerous financial assets from private sector to the balance of the central bank or special QE fund in exchange to risk free reserves of the central bank. Thus, both types of measures are performed by means of risks, accumulating on balances of central banks and indirectly on the balance of state administration. Exchange of information between relevant agencies, including debt administration office, state enterprises that administer assets and central bank, is important for efficient administration of all state assets and liabilities. Proper assessment of financial positions requires all-sided and transparent reporting of all state liabilities and assets. Besides, financial transparency facilitates consolidation.

**Key words:** European crisis, financial policy, financial instability, measures of financial support, financial assets, supranational structures.

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