

A large, modern building under construction. The building features a prominent, colorful, faceted facade with panels in shades of gold, blue, and grey. The structure is multi-tiered, with a large overhang. A construction crane is visible on the right side of the building. The sky is blue with scattered white clouds. The overall scene suggests a high-tech or corporate development project.

Can Russia create a new Silicon Valley?

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- On the construction site, things move faster: dozens of workers are busy putting in walls and heating ducts. If things go to plan, Skolkovo, near Moscow, will be one of the world's biggest high-tech cities in a few years.
- It will boast a research university with 1,800 students, 40 corporate research and development (R&D) centres and a "Technopark" housing up to 1,000 start-ups.
- Skolkovo will be a special economic zone, a bit like Shenzhen in China. Companies based there will receive whacking great tax breaks. They will also get special treatment when it comes to visas and imports.

The aim is for Skolkovo to become the basis for a vast ecosystem that spans all of Russia and brings together researchers, entrepreneurs and investors in five “clusters”: IT, of course, but also biomedical, energy-efficiency, space and nuclear technologies, all of which have deep roots in Russia. This new ecosystem, its champions hope, will help Russia modernise.

- Dmitry Medvedev, then Russia’s president, gave the green light in 2010. Since then the government has earmarked \$3 billion over four years for the project, and will spend billions more indirectly, for instance via tax breaks.



- The planning of the construction is going well. Half a dozen architecture firms are designing and developing the city's districts. Nobody seriously doubts that Skolkovo will rise in one form or another—although it will probably take longer than planned.
- The aim is to build a long pipeline of start-ups to reside in Skolkovo. The Skolkovo Foundation will then provide them with some initial cash and hope that venture capitalists invest in them.

- More than 500 firms have obtained resident status. Over 100 have received some money from the Skolkovo Foundation, and about half of these have attracted regular venture capital, mostly from Russian firms. Yet local capital is limited and foreign money is not pouring in—Western investors deem Russia too risky. Even the foreign venture capitalists who work with the Skolkovo Foundation do not invest directly in Russia, but funnel the cash through offshore shell companies.



- Russia is a tough place to work. Great fortunes have been made by grabbing a share of the country's mineral wealth. But try to think of a Russian who has grown rich by inventing something and you'll probably think of someone like Sergey Brin of Google, who moved to America when he was six.
- Graft may be a problem in Russia, says Mr Lupachev, but it mostly afflicts big, highly regulated industries. It seldom involves start-ups, he claims. And the process of selecting start-ups for Skolkovo and giving them grants is hard to rig, he says.

- Not everyone is reassured. Skolkovo is Mr Medvedev's baby. Will it thrive now that he has been demoted to prime minister, or will it end up as just another office park? Vladimir Putin, the current president, seems supportive. His government recently decided to host the summit of the G8 in 2014, when Russia holds the group's presidency, at Skolkovo. Victor Vekselberg, the president of the Skolkovo Foundation, who made his billions as an oil oligarch, says: "This is no longer Medvedev's or Putin's project, this is Russia's project." He adds: "If the country really wants to change it needs something like Skolkovo." Others retort that for Skolkovo to work, Russia would have to change so much that it would no longer be necessary.

