

- Russia has an upper-middle income mixed and transition economy with state ownership in strategic areas of the economy. Market reforms in the 1990s privatized much of Russian industry and agriculture, with notable exceptions to this privatization occurring in the energy and defense-related sectors.
- Russia's vast geography is an important determinant of its economic activity, with some sources estimating that Russia contains over 30 percent of the world's <u>natural resources</u>. The <u>World Bankestimates</u> the total value of Russia's natural resources at \$75 trillion US dollars.

Innovative potential of the region - it is a combination of scientific, technical, industrial, technological, personnel,

infrastructure, financial, legal and other opportunities for economic entities in the region to ensure the perception and diffusion of innovations.

In determining the level of innovation potential, a set of indicators of scientific and technical activity in

region, namely: the number of organizations carrying out scientific research, the number researchers, the number of industrial enterprises engaged in innovation activities, the number of created models of new machines, internal current costs for

research, investment in science.

To make informed decisions on

investment in innovation and the development of innovation infrastructure in the region, it is necessary to clearly understand the distribution of innovation potential within the region and the place of the greatest

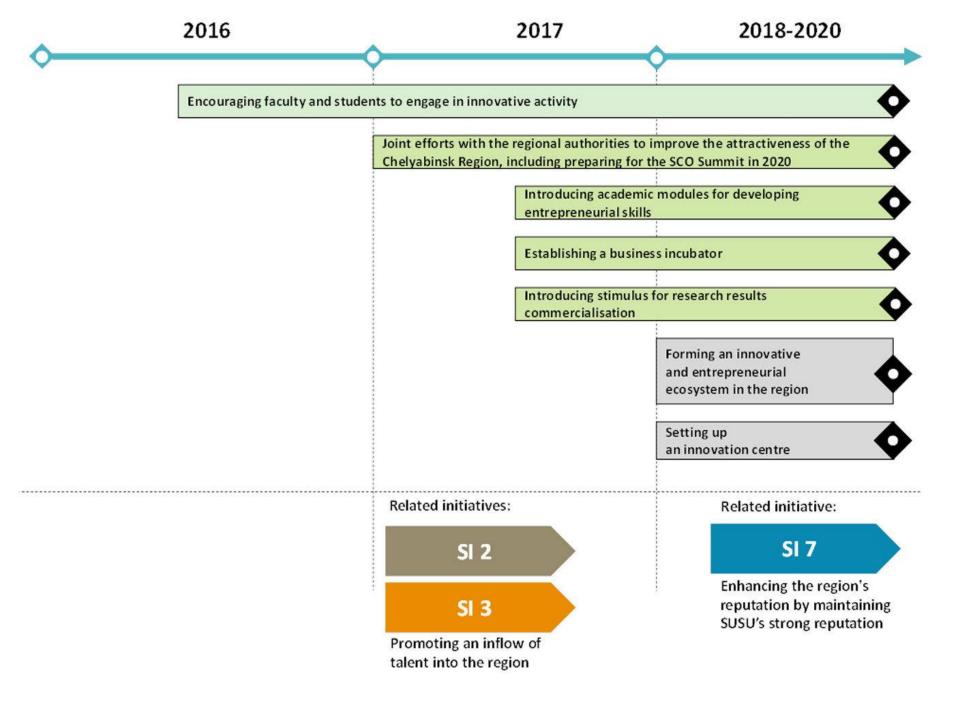
his concentration.

In this regard, the author has developed a methodology for assessing the level of innovative potential of municipalities in the region.

The existing methodology for assessing the level of innovation potential of regions in the Russian Federation cannot simply be projected from the national level to

regional. To assess the level of innovation potential of municipalities developed its own system of indicators, taking into account the possibility of using forms of state statistical





Criteria ²	Indicators
Market attractiveness	 Market size and growth rate Competitive intensity/rivalry Market profitability Opportunities to differentiate the product and services Overall risk of return in industry Distribution structure and negotiation power of the clients
Competitive position	 Price differential and value added Ability of the organisation to co-ordinate the commercial strategy Product quality and image of the region of production Potential of innovation Customer loyalty Relative brand strength Ability to promote the product

The key issue of enhancing innovative production in the region is to develop a mechanism for the development of innovative production based on the identification of priorities. The literature proposes three main options for innovative development strategies: - Technological breakthrough based on their own discoveries and inventions; - Technological borrowing (following the example of Japan, the countries of Southeast Asia), when their own scientific and technological developments, new technologies and new product development the use of patents acquired abroad (catching-up strategy); -Participation in the manufacture of new products (assembly and similar production)

