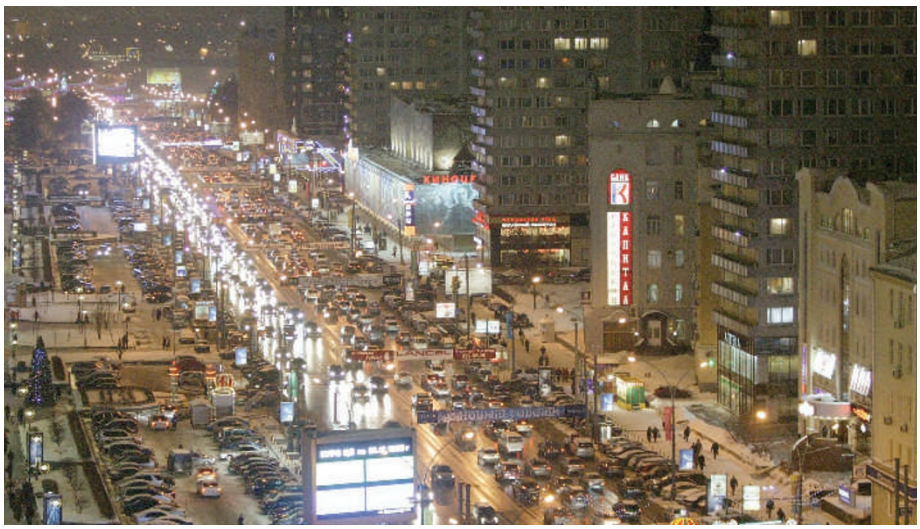
BUSINESS

How to make it in Moscow

Life for scientific entrepreneurs in Russia can be fraught with difficulty. **Alison Abbott** meets one who has ridden the rapids for more than a decade.



M. FOMICHEV/ITAR-TASS

Mean streets: corruption and burgeoning costs make Moscow a tough city for biotech entrepreneurs.

It was 1989 when Vadim Govorun was sent to Berlin to learn more about genetics. He arrived from Moscow shortly before the fall of the Berlin Wall — an event that triggered the upheavals that shaped his career as one of Russia's more successful scientific entrepreneurs.

Today, Govorun is head of a 200-strong company developing and selling medical diagnostics kits. But he also has an active academic career and sometimes, he says, he feels he's being stretched a bit too far.

By 1994, when Govorun moved back to Russia from the Max Delbrück Centre in Berlin, the effects of the collapse of the Soviet system were clear to see. "When I came back I had no idea how to survive as a researcher," he recalls. He returned to the Institute of Physico-Chemical Medicine in Moscow, a branch of the health ministry, where salaries had been devalued to poverty levels — if they were paid at all. The institution could not even pay its electricity bill, never mind buy research materials.

Govorun spent the 600 deutschmarks (then US$360) he'd scraped together in Germany on a Russian-made DNA synthesizer and set up shop. He made oligonucleotides, short pieces of DNA that are essential ingredients in diagnostic kits that identify disease-causing microbes from small samples of their genetic material. The institute let him use one of its rooms to develop the kits: it needed its researchers to build up income any way they could.

Researchers at the Centre for Obstetrics, Gynaecology and Perinatology at the Russian Academy of Medical Sciences in Moscow, provided him with pathogens that cause sexually transmitted diseases (STDs), and helped him to test the kits on samples from patients.

A. ABBOTT

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With plenty of demand from customers who couldn't afford to import diagnostics, Govorun's company, Lytech, grew steadily. It now sells to more than 150 hospitals and private STD-testing labs, a large number of which sprang up in the 1990s. "It became fashionable in Russia to test for STDs, but not for other important diseases such as cardiovascular disorders — I don't know why," says Govorun.

He profited from the trend, and has pumped $600,000 in revenue back into the firm to finance its expansion. Lytech added antibody-based ELISA diagnostic kits to its portfolio, and extended the range of pathogens for which it can test. It also makes 'biochips' to test for mutations, such as those that make bacteria resistant to antibiotics.

Lytech's story is typical of small biotechnology companies in post-Soviet Russia, which tend to be located at government institutes and to pay for their own expansion gradually, out of revenue. Its main Russian competitor in clinical diagnostics is InterLabService, founded a couple of years before Lytech by German Shipulin, a biologist at the health ministry's Centre for Epidemiology in Moscow. Still headquartered at the centre, it employs 600 people and has a factory in Moscow that makes the kits.

"Most of the successful biotechnology companies in Russia started in this way, and financed themselves by reinvesting," says Shipulin, noting that there's no tradition in Russia of banks and other investors lending money to entrepreneurs.

Some start-ups have got help from Russia's new tycoons. Biochemist Vladimir Skulachev at Moscow State University set up Mitotechnology to find anti-ageing drugs, with undisclosed millions of dollars of support from Oleg Deripaska, an aluminium magnate who is said to be Russia's second-richest man.

Torsten Wöllert, who deals with energy and environment at the European Union's office in Moscow, says the current crop of biotech firms emerged at a time when home-grown high-quality scientific labour was cheap, and impoverished research institutes were offering space to start-ups for relatively low rents. None of these conditions exists any more, he points out.

And the prevalent corruption has made businesses even more difficult to run, Wöllert says. The largest single asset a company can have is political cover, or *krisha* (literally 'roof'). Entrepreneurs "need contacts high up in the bureaucracy to prevent those lower down from making difficulties or asking for bribes", he says.

Govorun says he is careful to follow the ever-changing bureaucratic rules in order to avoid trouble. But after 12 years, his relationship with Lytech is at a cross-roads. Govorun is now deputy director of the Institute for Physico-Chemical Medicine and runs a large genetics lab there. He is also a professor at the neighbouring Physico-Technical Institute.

So it's decision time: he will either expand Lytech, perhaps opening facilities in cheaper cities than Moscow, and building up export sales, or he'll return to science full-time. "I haven't quite decided which way to turn — I'll be thinking about it all summer." ■