



## Innovative Small Town – A Promising Model for Development of the Regions of Russia

**BY THE EXAMPLE OF TECHNOLIS GS PROJECT IN THE TOWN OF GUSEV (KALININGRAD REGION, RUSSIA)**

By ensuring the sustainable social and economic development of small towns based on innovation is one of the most promising ways to revive struggling Russian regions. Small Russian towns with a population of 50 thousand or less make up roughly 2/3 of the settlements in the country. Today, the total number of Russians living in such towns amounts to 20 million people. These settlements protect the rich cultural heritage and unique national flavor of Russia, but are threatened with extinction from the modern Russian realities. At the end of 20th century, social and economic reforms resulted in problems like low living standards, lack of skilled manpower, and low quality of social services in small towns have gotten much worse. This has led to the influx of people into large municipal districts and away from small towns.

On average, the number of inhabitants in small towns decreases by 3–11% per year, which leads to rural settlements having no production facilities. In future, they will become fully extinct. Thus, according to enumerations, from 2002 to 2010 the number of cities and urban-type settlements decreased by 554 settlements or 23.2%.

The issue of supporting small town development receives serious attention from business representatives, and one of the main ways to modernize town development is to

consider it as the complex enterprise and apply private sector marketing tools and strategies to it.

The innovative territorial cluster Technopolis GS, a project from the GS Group international investment and industry holding company, was successfully implemented in the town of Gusev, Kaliningrad region, that has a population of 28,000 residents, within the last five years. In the process of its formation and growth, the project created strong functional relationships within the municipal district. It affects the social, economic and infrastructure aspects of life of the small town population in a determining manner by becoming one of the main recovery factors in the Russian region.

Michael Porter's theory of clusters lies in the heart of the Technopolis GS project. Its main assumption says that the greatest success can be achieved within the place where the growing point in the field of high technologies is emerging and developing. The common innovative orientation of the Kaliningrad region for the growth of the special economic zone, convenient logistics, integrated system of suppliers and manufacturers, technology partners and educational institutions, as well as support from the state authority will create a favorable environment to develop an innovative small town.

## GENERAL IDEAS OF TECHNOLIS GS PROJECT:

- ▶ To provide a high concentration of highly skilled technology specialists to the area;
- ▶ To develop technology and production innovations in business and science;
- ▶ To create a comfortable area for creativity, which will become a unique attracting factor for new employees and impetus for their own development within the project;
- ▶ To improve the quality of life for the local community.

Business development and expansion of the electronic industry cluster is implemented in Technopolis GS. It will involve seven high-tech industries; six of which have already been constructed and are currently in operation. To ensure the function of Technopolis GS industries, there have been 2,000 jobs created, which occupies a considerable portion of the working force of Gusev where the economically active population is around 20.6 thousand people currently. This number is expected to increase by 5,000 by the year 2017, which includes the creation of 3,000 hi-tech specialty jobs.

### Implementation of a number of long-term objectives is currently underway:

- ▶ Creative environment that is favorable for ideas creation and exchange amongst talented people is being developed. Creative Platform GS Fund was launched in 2014 with its main objective to support creative initiatives and social activities of Technopolis GS employees.

*"The Mission of the Creative Platform GS Fund is to comprehensively develop human creative potential as a basis for improving the quality of life of the population. Fund activities will include: arranging open grant competitions, developing and implementing in-house projects and allocating non-competitive funding to support unique cultural and social initiatives that include projects of social entrepreneurship".* **Elvira Gizatullina, Director of Creative Platform GS Fund.**

- ▶ Technopolis GS staff recreation is being developed while an art center, museum and exhibition complex are currently being constructed. A dedicated major holiday for Gusev residents known as "The Day of Technopolis GS" is arranged on an annual basis, and a volunteer program to support the cultural heritage of the region is held as well.



- ▶ Creation of a favorable and supportive environment for promising new business area growth in telecommunications and innovative development in Russia. GS Venture corporate fund aimed at funding promising R&D young creative teams by searching and developing small businesses with prospective ideas was launched in 2013. The business incubator will be launched in 2014 and will aim at building successful small businesses in telecommunications and microelectronics and introducing advanced scientific developments for production.
- ▶ Residential area, including cottage settlements conforming to European standards and cultural objects, is under construction. This will be a city for scientists, researchers, innovators among managers, developers, entrepreneurs and creative minds.
- ▶ Implementation of special career guidance and training programs. A branch of the Immanuel Kant Baltic federal university is set to open in Gusev.
- ▶ Projects that preserve the ecological environment, including a specific program of collecting and recycling paper waste.

## PLANNED RESULTS OF THE TECHNOLIS GS PROJECT IMPLEMENTATION

- ▶ Creation of social infrastructure with total investment at over \$580 million USD;
- ▶ Creation of an industrial complex with a total investment at \$145 million USD to create 5,000 jobs;
- ▶ Construction of 75,000 m<sup>2</sup> of housing for the region residents;
- ▶ Increased number of places in pre-schools and schools;
- ▶ Improved availability of health care and cultural facilities for residents in the Northeast part of Kaliningrad region;
- ▶ Improved availability of transportation in the Northeast of Kaliningrad region.

Today, the cluster model which approved itself within the Technopolis GS project in the town of Gusev, Kaliningrad region, can be successfully applied for the economic development of other small towns and regions within Russia.