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Technoparks in Russia

Creating Technoparks in Russia

Growth of ICT market in Russia averages annually to 20-25%, while world indicators are considerably lower: about 8% a year. We started from less advantageous position, but we have a good dynamics and it is crucial to convince government and business to mutually contribute to accelerating this dynamics. The volume of ICT market in Russia reached 9-10 billion dollars in 2004. We take average estimates, in particular, those that were worded by Leonid Reiman, Minister of Information Technologies and Communications. Another figure: the share of ICT industry reached 3.2% in 2000, and it is forecasted to grow up to 5.3% in 2005. It is good that we can see the progress. To our mind, it is very important that both business and government understand why we should join efforts to develop Information Technologies in Russia and how they can help each other.



There is much speculation about economic growth nowadays. Today we really have extremely high oil prices – it seems that the situation is most favourable, but the pace of growth decreases. This means that we cannot raise the economy only at the expense of export of raw materials. It can be provided only by developing advanced hi-tech industries, including Information Technologies. What can contribute to GNP growth, and we are used to talk about doubling GNP, it is development of industries that produce goods of high added value. There is no doubt, it is necessary to improve government's efficiency at all levels, as well as that of 'municipal formations' and so on and so forth. Government officials find it very hard to administer without support of Information Technologies. Development of civil society we talk so much about, which is so relevant now, also depends on the quality of government services, which can be only improved on the basis of information technologies.

It is very important for IT industry development that companies should not work separately in their small sector doing something in isolation, they should see the perspective, understand their business mission on the national scale. Our association¹ was created in 2001 with the major aim to consolidate the point of view of IT business, make it acknowledged by the government and set ambitious and relevant objectives. The association united the largest Russian and foreign companies, including leading suppliers of ICT, such as Microsoft, IBM, Intel and others (I do not advertise them, I am simply enumerating AP KIT members), as well as leading Russian companies – hardware assemblers, software developers and others. And I should attract your attention to our attempt to create an "umbrella" association and gradually start to attract those regional organisations, which came through self-identification and are ready for something larger, and "niche" associations. As a regional example I can mention association "Oxide" from Yekaterinburg, and niche "NCP SS" (non-commercial partnership of software suppliers); Association of software developers and association "RusSoft" (offshore programming). Companies – members to our association – cover up to 70% of legal market according to many indicators. Our association represents Russia in the World Association of Information Technologies; we conduct together a number of projects on information technologies development both in Russia and CIS countries.

The main aim of the concept is providing governmental support to the IT market development. It covers four dimensions, which we consider the cornerstones; everything else builds on them.

First dimension: improving legislation in the sphere of information technologies. Second: governmental support to the domestic market development. Third: governmental support to IT export development. And fourth – building institutional foundations of IT market.

Another one is creation of IT parks, or better not creation (it is too optimistic to claim that now), but rather initiation of creating mechanisms for that.

In December, 2004 President of the Russian Federation, Vladimir Putin visited India's scientific center at Bangalore, where the Russian President was shown how off-shore programming business works in India. It is possible that either this gave an impulse to launch a wide-scale campaign in Russia or this examination had already been pre-planned by the President. In January, 2005 Mr. Putin voiced the idea of creating technoparks. According to his statement, in Russia there are both manpower potential and a considerable scientific reserve to develop Russia's sphere of information technologies, with the effective use of which the country can achieve a major breakthrough in the informational sphere.

During a meeting in Novosibirsk, Russian President Vladimir Putin discussed the information and communication technology industry (ICT) in Russia with several ministry heads, local officials and other stakeholders. He charged the government with developing a draft law on special economic zones, as well as with creating IT technoparks and science parks, which have been used by other countries during the past 25 years to stimulate innovation and growth in domestic hi-tech industries. At the same time, the president charged the group with identifying areas to host these new projects. Among others, regions being considered include Moscow Oblast, St. Petersburg, Nizhny Novgorod and Novosibirsk.

The IT parks program has been estimated by the government to cost about 123 billion rubles (\$4.3 billion). Of this, about 20 billion rubles, or 16 percent, will come from the federal budget, a further 15 billion rubles, or 12 percent is expected from private Russian investors, and the other 88 billion, or 72 percent will come from "non-budget sources," the Deputy Minister for IT and Telecoms, Dmitry Milovantsev, said in August.

As a result of the IT park project, the Ministry for IT and Telecoms expects the value of the IT sector in Russia to reach 1 trillion rubles (\$35 billion) by 2010. Should the program not be successful, the annual growth of Russia's IT outsourcing market could drop to 11 percent from 2007, which would damage domestic companies' competitiveness on the global market, representative of the ministry said.

By the year 2010, four technoparks are planned to be created on the basis of the first-rate research and education centers located in the Moscow, Novosibirsk and Nizhny Novgorod regions, and in St. Petersburg, construction will be carried out on budget money (the cost of each of them will be approximately USD 80-100million). Besides, special economic zones for high-tech companies are planned to be created, where favorable fiscal and customs conditions will be established.

The implementation of this grandiose plan has already been started. The commissioning of the first technopark providing comfortable residence, rest and work for programmers is to be erected this year at St. Petersburg State University for Telecommunications Named after Bonch-Bruyevich.

Novosibirsk was named as another city where pilot technoparks are planned to be created. Undoubtedly, Akademgorodok is a place where science is concentrated (here research institutions alone number in the region of 55 and 29% of the population are employed in scientific activities). Therefore, according to the President's conception local specialists working in an SEZ will be able to create a new market of more complex information technologies relying on the advances of the scientific school for mathematical modeling in Akademgorodok, for example, control systems of spacecraft, of oil and gas complex, decoding systems including those for defense purposes.

On the same time the government approved a bill pertaining to technopark creation - "On Special Economic Zones" that provides for creation of special economic zones functioning on the basis of a special fiscal regime. Enterprises registered in the territory of the zones are to receive a number of fiscal and customs indulgences. In particular, free customs zone conditions: foreign goods will be imported for use in the territory of a zone without paying taxes and duties. They will be exempt from special rules and limitations active on the rest of the RF territory. SEZ residents are will not pay land and property tax for 5 years.

Russia's ICT industry – both domestic and foreign players alike – would applaud actions establishing such special parks or economic zones. Not only would such steps indicate the Russian Federation government's commitment to diversifying its economy, it would also indicate that it understands that hi-tech industry can act as a motor for economic growth, helping all industry and service segments be more productive and efficient.

The Russian Ministry of Communications has recently suggested a Technopark Development Concept and actively supports building up new technoparks in Moscow Oblast (Chernogolovka and Dubna), Novosibirsk (Akademgorodok) and Nizhny Novgorod (Satiss). Federal and regional governments are listening to main industry stakeholders, such as professional associations like RusSoft, APKIT and AmCham. Regional and municipal authorities hope to get federal money to invest into the infrastructure of technoparks, and a TDC may be a good tool to plan and start executing.

Industry and government should continue to work together in Russia to create technoparks and science parks. However, the location and number of such parks should be limited only by market forces and not predetermined by the government. Russia has vast human capital and excellent universities to provide a pipeline of people and innovation into industry, and an acceptable infrastructure which can be upgraded.

And still one of the countries, which experience is still valuable for Russians for creating technoparks, is India. On May 17-18, 2006 in Delhi took place the second meeting of the Russian Indian Working Group on Science & Technology under Inter Governmental Commission. The meeting focused on cooperation issues between the Russian Federation and India regarding a wide range of technological issues, including the ones that are part of the long-term program for scientific and technological cooperation. A part of the meeting was the first dialogue of Subgroup for IT parks. Representatives of the Russian Ministry for Communications and Information Technologies and Software Technology Parks of India (STPI) have discussed Indian experience in developing software technology parks, as well as possible ways of cooperation to implement the Russian National Program for Software Technology Parks in hi-tech area. The Russian side was represented by Deputy Director, Department for National Programs, Infrastructure Development and Limited Resource Regulation M. Yu. Luchinkin, and the Indian side by General Director S.N. Zindal.

What could be result of such cooperation is the question of the future, but ties between Russia and India in this field seems to be fruitful for both countries.

The Science Park of Moscow State University
<http://www.sciencepark.ru/eng/>
 Phone: +7(095) 930-8454, 930-8455 Fax: +7(095)930-8460
 E-mail: admin@sciencepark.ru

Innovation Technological Center, St. Petersburg
 Phone: +7 (812)294-2511 Fax: +7(812)326-6191
 E-mail: rfntr@rfntr.neva.ru

Nizhny Novgorod Centre for High Technology Incubaion (NCHTI)
<http://www.rfntr.neva.ru/eng/itc.php>
 Phone: +7 (8312)320202 Fax: +7(8312)369902
 E-mail: shein@chti.sandy.nnov.su, antva@chti.sandy.nnov.su

Nizhny Novgorod Agency for High Technologies (NNAHT)
<http://www.nant.ru>
 Phone: +7(831-23)20202 Fax: +7(831-23)08015
 E-mail: nant@sandy.ru

Novgorod Technopark
<http://domino.novsu.ac.ru/techno/>
 E-mail: technop@novsu.ac.ru

Technopark "Novosibirsk"
<http://tpark.ict.nsc.ru/curenglish/welcome.html>
 Phone: +7(38327)41474 Fax: +7(38327)40816
 e-mail: identpnsk@mail.ru

The International Science and Technology Center (ISTC)
<http://www.istc.ru/>
 Phone: +7(495)982-3200 Fax: +7(499)982-3201
 E-mail: istcinfo@istc.ru

Science Park Izmaylovo (Moscow Power Engineering Institute)
<http://www.mpei.ru/StarPage.asp?Lang=eng>
 Phone: +7(095)362-5645 Fax: +7(095)362-8918
 E-mail: uvs@mpei.ru

Science Park Kurchatovsky
http://www.tpki.ru/index_e.html
 Phone: +7(095)196-77-72, 196-78-06 Fax: +7(095)196-96-26
 E-mail: technopark@relcom.ru

Technopark in Moskvorechle (MEPhI)
<http://park.mephi.ru/>
 Phone: +7(095)323-94-92, 323-94-65 Tel/fax: +7(095) 324-77-77
 E-mail: techpark@park.mephi.ru

Zelenograd Science Park
<http://tech-park.ru/index.php?name=eng>
 Phone: +7(095)532-83-45, 913-31-81 Fax: +7(095)532-83-45
 E-mail: mail@tech-park.ru

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